

ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

Candidates must always read each question carefully. Ensure formulae for accounting ratios are revised thoroughly before the examination.

General comments

Overall the performance of candidates was not satisfactory. Very few candidates scored more than 50 per cent.

Given this data, there was only **Question 3** which resulted in 70 per cent of candidates achieving the correct answer. Virtually every other question was not well attempted. There are three questions which are worth reviewing.

Comments on specific questions

Question 8

Many candidates found this question challenging. The impact of incorrectly valuing the goods taken for own use would require correction. However, any adjustment would also affect the figure included in the income statement for purchases and thus cost of sales and profit for the year. The goods taken for own use should have been valued at cost and not selling price, also resulting in the value of purchases being too low so the profit was too high. This, when adjusted, would cancel the effect of drawings also being too high. The impact of the changes would have left the closing balance on the capital account unchanged. Thus the key was **C**.

Question 17

Candidates found this question difficult. The amount of the adjustment was \$4000 ($\$10\,000 \times 40$ per cent). As the inventory was overvalued in 2020 the profit was overstated and understated in 2021, so the effect of the error cancels out over the two years. Hence by the end of 2021 only the effect on dividends remains.

Question 20

This is an example of the ratio for the calculation of ROCE not being correctly applied by the majority of candidates. The figure of \$94 500 is the profit for the year and needs to be adjusted to arrive at the figure for profit from operations. The debenture interest of \$8000 thus needs to be added back, making the numerator \$102 500 and the ROCE figure 13.67 per cent, giving the Key **D**.

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Paper 9706/12
Multiple Choice

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

Key messages

- Review the changes in fixed and variable costs per unit as production volume increases.
- Ensure that relevant formulae relating to marginal costing are thoroughly understood.

General comments

More than 50 per cent of candidates achieved a score of 15 or more correct answers. **Questions 10, 11, 14, 16, and 18** were answered correctly by 70 per cent or more of candidates. There were some questions which candidates found challenging and these have been discussed below.

Comments on specific questions

Question 1

This was a straightforward question in which items 1 and 4 required an entry to be made in the general journal in respect of them. Had item 3 been the taking of goods for own use by the owner then that would have required a journal entry. However, taking cash is not usually recorded in the general journal.

Question 20

Candidates lacked clarity on cost behaviour with changes in volume. Variable costs per unit are unchanged with a change in the level of production. However, total fixed costs are likely to increase as production levels increase (stepped costs) and they will always change per unit as more (or less) is produced. Thus the two correct statements were 1 and 3, giving the key **B**.

Question 25

The calculation of margin of safety as a percentage is the contribution above the break-even point divided by the total contribution. In this case $\$(108\,000/288\,000)$, giving 37.50 per cent.

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Paper 9706/13
Multiple Choice

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

Key messages

Always read the question thoroughly focussing not only on the figures but also the dates given.

General comments

More than 60 per cent of candidates achieved a correct score of 15 marks or more. For **Questions 1, 8, 17** and **19** more than 70 per cent of candidates identified the correct option.

There was only one question which candidates found challenging. This is considered below.

Comments on specific question

Question 4

The solution to this question revolves around the dates given. The old motor vehicle was sold and the new one purchased on 1 September 2020. The year end of the business was 31 December 2020. The transfer of depreciation to the disposal account would have been made on 1 September 2020. However, the provision for depreciation of the new vehicle would not have been recorded until 31 December 2020, giving the key **D**.

ACCOUNTING

Paper 9706/21 Structured Questions

Key messages

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates will not get any credit for partially correct calculations.
- In written questions, candidates should make sure that they provide sufficient development to their answers. When asked to explain, candidates must firstly identify a point and then provide relevant development of the point.
- Candidates should remember that the financial statements of a limited company must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full and never abbreviated.

General comments

It was clear that some candidates were inadequately prepared for the examination. However, there were a few scripts of high standard.

Comments on specific questions

Question 1

The question concerned the accounts of a sole trader who did not maintain full accounting records.

- (a) Required candidates to state two reasons why the owner of a small business may decide not to maintain full accounting records. Most candidates correctly identified that it would be too time-consuming, and that the owner may lack the necessary skills.
- (b) Required candidates to explain how the concepts of matching and prudence are applied when preparing financial statements. Whilst several candidates were able to give an overview of both concepts, only a minority were able to offer development of their identification. An explain question will seldom be answered by a simple statement, the identification must be developed to gain a second mark.
- (c) Required candidates to calculate the total purchases for the year. Those candidates who recognised that the best way to answer this question was to prepare a purchases ledger control account and then add cash purchases to the total credit purchases arrived at the correct answer. However, many candidates tried to answer the question with little structure and were often awarded only a maximum of two of the available five marks.
- (d) Required preparation on the income statement for the year. Well prepared candidates presented their income statement in the accepted format, but too many candidates did not take account of much of the data provided and struggled to gain marks. Well-structured workings are essential for questions of this nature.
- (e) Additional data gave various information of changes that would apply if the trader moved the business to a new location. Candidates were required to calculate the revised profit if the move went ahead but many candidates were unable to relate the significance of the data to the move. A few candidates did not attempt this question.

- (f) Despite finding the previous task challenging, there were some good responses when asked to advise whether the business location should be changed. As indicated, most candidates followed the requirement to address both financial and non-financial factors to support their decision.

Question 2

The second question focused on partnership accounts.

- (a) Required candidates to state two reasons why each partner may have a separate capital account and current account. Whilst many correctly focused on the implications of separate recording of capital items and drawings, some candidates were unable to offer any valid reasons.
- (b) Candidates were required to prepare the partners' capital accounts to record the admission of a new partner. Whilst some candidates were able to gain most of the available marks, clearly a number of the other candidates were unfamiliar with the concept of goodwill and with the structure of the capital accounts.
- (c) Asked to calculate the minimum partnership profit required to enable the new partner to achieve 25 per cent return on their capital employed proved challenging for majority of candidates. Most candidates did not account for the partner's salary in their calculations.
- (d) Most candidates were able to state at least one disadvantage to the existing partners of admitting a new partner – usually the fact that profits would have to be shared.

Question 3

The question concerned a bonus issue of shares and a proposed dividend.

- (a) Required candidates to explain two reasons for making a bonus issue of shares. Once again, many candidates identified a reason, for example to reward shareholders, but did not gain further marks for developing the point.
- (b) Whilst most candidates understood the methodology of calculating the number of bonus shares issued, many did not take account of the fact that the company's shares had a price of \$0.25 and made their calculations based on a value of \$1. Candidates must read the data provided more carefully.
- (c) Required candidates to prepare the journal entry to record the bonus issue of shares, many candidates demonstrated a basic lack of understanding of double entry principles and were unable to answer the question.
- (d) Asked to identify three factors that the directors should consider when deciding on the amount of a proposed dividend produced very mixed results with most concentrating only on the availability of cash. Few candidates recognised the importance of the amount of profits available to distribute.
- (e) Calculation of the amount of the proposed dividend, whilst a very straightforward calculation, was ignored by many candidates.

Question 4

The final question focused on marginal costing.

- (a) Asked to define direct costs and stepped costs resulted in a variety of often very vague responses not precise enough to be rewarded.
- (b) Most candidates were able to state the formula to find the margin of safety in units.
- (c) Explanations of a limiting factor again suffered through lack of sufficient development to gain more than one mark.

- (d) Required candidates to calculate the number of units to be sold for the company to achieve its target profit. Whilst many candidates appeared to know the procedure to calculate this figure, many made errors in their calculations.
- (e) The question required candidates to prepare a budgeted marginal cost statement. While this was answered well by many candidates, others appeared to have little knowledge of the basic principles of marginal costing and consequently either did not attempt the question or produced a list of unrelated figures. Marginal costing has a strict structure that must be adhered to.
- (f) Candidates were required to calculate the monthly profit to be made from the first proposal. The lack of knowledge of marginal costing procedures hindered some candidates but the well-prepared candidates were able to answer this question well.
- (g) Data for the final task provided the monthly profit for the second proposal and candidates were required to advise the directors which proposal should be chosen. Many candidates were able to gain more than half of the available seven marks by constructing a common sense response based on profitability aspects and capacity and skill set of employees.

ACCOUNTING

Paper 9706/22 Structured Questions

Key messages

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates will not get any credit.
- In written questions, candidates should make sure that they provide sufficient development to their answers.
- Candidates should remember that the financial statements of a limited company must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full, never abbreviated.

General comments

There were some scripts of an high standard and improvements in performance were evident. However, some candidates were inadequately prepared for the examination.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

- (a) Required candidates to prepare an income statement from given data incorporating various adjustments. As is usually the case, candidates who produced detailed workings produced far more accurate income statements and were consequently awarded higher marks. Whilst the presentation of the statement continued to show improvement, it is disappointing to note that some candidates continue to use abbreviations (GP or COS for example). Abbreviations are never acceptable in financial statements.
- (b) Required candidates to explain two reasons why a company may make a rights issue of shares rather than an issue of debentures. Responses were very mixed with well-prepared candidates recognising that in the context of the question, comparison must be made between the two alternatives. A number of candidates simply stated one characteristic of either or both of the alternatives.
- (c) Required calculation of the amount raised by the rights issue. A significant number of candidates did not recognise that the value of each share was \$0.25, not as they assumed \$1.
- (d) The task required candidates to prepare a statement of changes in equity and this was generally well done.
- (e) Asked to identify two liquidity ratios, most candidates correctly identified the current ratio and the liquid (acid test) ratio, though some offered incorrect efficiency ratios.
- (f) The final part of the question required candidates to advise the directors whether they should offer a 5 per cent settlement discount to encourage faster payment. When asked to advise, candidates should remember that both options must be discussed. Those who adhered to this were generally awarded higher marks.

Question 2

The second question focused on irrecoverable debts.

- (a) Candidates were required to explain why it may be important for a business to maintain a provision for doubtful debts. Many candidates gained both available marks by stating and then explaining the relevant accounting concept.
- (b) Required candidates to prepare a journal entry to write off the given irrecoverable debts and whilst many candidates gained full marks, less well-prepared candidates often reversed the entries.
- (c) Two ways in which the risk of irrecoverable debts may be reduced was not so well answered. Many candidates suggested charging interest on overdue amounts though increasing the debt in this way is by no means likely to encourage customers who are having difficulty paying the original sum to pay a higher figure.
- (d) Required candidates to calculate the adjustment required to the provision for doubtful debts from given data. This produced very mixed responses with several candidates clearly did not understand the mechanics of the provision.
- (e) Candidates were required to prepare the provision for doubtful debts account. A significant number of candidates demonstrated only minimal knowledge of double entry principles.
- (f) The final part of the question required candidates to state two factors to be considered when setting a provision for doubtful debts and most candidates were able to gain both available marks.

Question 3

The question concerned correcting a statement of financial position for a sole trader that included errors.

- (a) Required candidates to calculate the revised profit following an over-valuation of inventory and use of the straight-line method of depreciation rather than the reducing balance method. Candidates generally found this task difficult with only a small minority gaining all available marks. The most common errors were to increase the draft profit for the inventory error when it should have been reduced and vice versa in respect of the depreciation. Many answers contained an extraneous item for drawings.
- (b) Whilst the presentation of the corrected statement of financial position was generally good, many candidates struggled to know whether to add or subtract various figures. This again demonstrated a lack of double entry knowledge.
- (c) The vast majority of candidates gained all three marks by identifying three types of error that would not affect the balancing of the trial balance.

Question 4

The cost and management accounting focused on absorption costing.

- (a) The first task required candidates to prepare a statement showing the reapportionment of service department overheads. Majority of candidates were generally familiar with the technique. Some less well-prepared candidates deducted the service department costs from the production department costs and did not gain any marks.
- (b) Candidates then had to calculate the overhead absorption rate for each production department. Based on their own figures, most performed well, though some did not identify either per labour hour or per machine hour. Candidates must be careful to read the question as the rate will always be required to two decimal places and not all candidates followed this instruction.
- (c) Candidates then had to prepare a statement to show the total selling price of a customer's order. Whilst many were able to make the correct calculation of the various costs, the most common error was a failure to recognise the difference between mark-up and margin to calculate the final selling price to quote.

- (d) Required candidates to state two possible causes of under absorption of overheads and results were very mixed with some stating causes that would result in over absorption.
- (e) Asked to state what is meant by allocation of overheads and apportionment of overheads caused problems for many candidates simply due to most responses not being specific enough to warrant reward.
- (f) Required candidates to calculate the maximum monthly profit by purchasing materials from a new overseas supplier and limiting production. Most candidates did not gain more than one of the available four marks, principally due to a failure to understand the effect on both variable and fixed costs.
- (g) The final task required candidates to advise the trader whether or not he should change suppliers. Many responses lacked sufficient development of points raised and whilst well-prepared candidates were often able to gain at least six of the seven available marks, many more struggled to gain more than two or three. Candidates must understand the need to develop their answers in questions of this nature.

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Paper 9706/23 Structured Questions

Key messages

Marks are awarded for the correct entry, this being the value and correct terminology/narrative. This applies across different accounts and statements such as ledger accounts and financial statements.

Candidates need to carefully read the detail of question requirements and answer the question asked, rather than the one they would have liked to have been asked. Repeating directly information given in question requirements will not lead to marks being awarded.

When a question gives a scenario with two options, then candidates should respond with comments on both options. Some responded with comments on their recommended option only. This will not gain the maximum marks allocated to the question.

General comments

Whilst many candidates show calculations to support their answers, some are not showing a net value for specific calculations. Net values must be shown for a calculation for a mark to be awarded. There were cases of candidates presenting a bracket with various entries covering additions, subtractions and multiplications, but not a net value.

Comments on specific questions

Question 1

This question focused on concepts and the preparation of an income statement.

- (a) The consistency concept was well answered by many candidates. Fewer candidates demonstrated an understanding of the realisation and materiality concepts. Often responses related to other concepts particularly accruals and going concern. There was frequent reference to the realisation accounts of partnerships. Frequently for the materiality concept candidates referred to the type of material being used by the business rather than any reference to the way a transaction would be recorded.
- (b) Most candidates gained some marks for the adjustments and there were a few completely correct responses. Some candidates did not make the correct adjustments to the returns and deducted returns outwards rather than returns inwards from revenue. Likewise, some deducted returns inwards from purchases rather than returns outwards. Many omitted the drawings of goods. Frequently candidates made the correct reduction of \$180 from closing inventory to reflect the waste goods. Fewer candidates subtracted the \$16 necessary to show the remaining items at the lower of cost and net realisable value. Some candidates presented lengthy calculations but did not show net values.
- (c) There were very few completely correct income statements. Most candidates gained at least one mark for the items to be added to gross profit. The discount received \$1580 was often entered with the narrative 'discount' only, and 'received' being omitted. The decrease in provision for doubtful debts of \$40 was entered as an expense by some candidates. Some candidates added rent receivable of \$1800 to the initial balance rather than adjusting to \$600 to reflect the amount outstanding for the year ended 31 December 2020. Within the expenses section a few candidates showed separate entries for the adjustments rather than showing as a net value for each expense.

This was particularly evident for marketing expenses. In addition, some candidates adjusted in the wrong direction, adding rather than subtracting and vice versa. The loss on sale of motor vehicles was often shown as the sale price rather than the actual loss on sale. Few candidates added new equipment \$380 to the existing balance of \$18220 and subsequently calculated an incorrect depreciation for furniture and equipment. Depreciation for premises was correctly entered by many candidates.

- (d) Frequently candidates responded on liquidity aspects rather than profitability. The question required advice on both proposals and some candidates responded on one proposal only. Few candidates referred to a reduction in inventory could lead to lost sales and few mentioned the possible reduction in inventory costs. Whilst many commented that increasing mark-up could lead to increased profits, few commented that an increase in price could lead to a fall in sales.

Question 2

This question focused on control accounts.

- (a) Many candidates responded with clear explanations on the benefits of control accounts. The question did state to explain benefits other than checking arithmetical accuracy, however some candidates did state this as one of the benefits. Some candidates omitted the key word 'total' with trade receivables and trade payables.
- (b) Many candidates entered correct values in the sales ledger control account but with an incorrect narrative. For example, the \$16230 was frequently entered as trade receivables rather than bank. Frequently candidates either omitted the customer overpayment of \$170 or entered on the credit rather than debit side.
- (c) There were few completely correct statements for both the purchases ledger balance and the purchases ledger control account balance. Many candidates incorrectly included the discounts received \$110 and purchases returns \$250 in the purchases ledger balance. Some candidates entered the interest overdue as \$130 rather than the correct amount of \$260. Many candidates incorrectly included the interest overdue in the purchases ledger control account balance. There were also frequent cases of adjustments being added rather than subtracted and vice versa.

Question 3

This question related to partnerships, in particular dissolution.

- (a) Many candidates correctly entered the assets to be realised on the debit side, some however entered a total amount rather than an entry for each asset. Frequently candidates entered the correct value for an entry, but with an incorrect/incomplete narrative. The credit entry for Winston taking over equipment frequently omitted a narrative for capital. The credit entries for the sale of premises and furniture and inventory frequently omitted a narrative for bank. The sale of inventory was frequently entered at the loss value of \$5200 rather than the sale price of \$12200. Many candidates were awarded an own figure mark for correctly splitting the realisation loss.
- (b) Many candidates made correct entries for the balances brought down in the capital account and for the current account transfers. Some candidates omitted the loan \$18000 and the realisation equipment \$7200. The entry for the realisation loss frequently correctly showed the values calculated from part a0, but with an incorrect narrative. The entries required for final settlements were frequently with the correct narrative 'bank', some however showed as a balance c/d.
- (c) Many candidates gained the maximum 3 marks for reasons why a partnership might be dissolved. The question did require reasons other than disagreements, however some candidates did respond with disagreements as a reason.

Question 4

The final question focused on cost and management accounting.

- (a) Most candidates were aware of the break-even formula and many calculated the correct break-even quantity in units. Some candidates did not round up to the nearest whole unit.

- (b) Many candidates correctly calculated the margin of safety in units and in revenue. For the revenue amount, some candidates multiplied the units by the contribution per unit rather than the selling price.
- (c) Most candidates gained some marks for the assumptions made when using break-even analysis. Frequently candidates did not refer to 'per unit' when relating to the selling price and variable costs. Some candidates responded on the advantages of break-even rather than the assumptions.
- (d) Frequently candidates did not correctly express the contribution to sales ratio as a percentage. Few candidates calculated the correct profit. Some multiplied contribution per unit by the budgeted sales units of 1200 rather than the actual sales units of 1120. A few did not deduct fixed cost from contribution to arrive at profit.
- (e) There were few completely correct answers for profit for option A. Many candidates incorrectly added 25 per cent to the original selling price of \$8.40 for a new selling price. Few showed the contribution per unit in calculations and frequently presentations were poor. The better responses multiplied contribution per unit by quantity and then deducted fixed costs to arrive at profit. More candidates calculated the correct profit for the units bought in. Frequently candidates gained marks for option B with the correct calculation of total contribution. Some however did not subtract the total fixed costs to show profit.
- (f) A few candidates did not attempt this section, although most of those who did achieved a range of marks. Frequently candidates made a valid reference to the profit of each option. The reliability of a supplier was correctly noted by many for option A, as was the likelihood of maintaining quality in-house for option B. The production level being less than normal was also noted by some candidates. A few candidates responded on one option only, rather than considering both.
- (g) Again a few candidates did not attempt this section. Those who did, often responded with valid points on the limitations of budgetary control. Frequent responses included demotivated workers and unexpected opportunities being ignored.

ACCOUNTING

Paper 9706/31 Structured Questions

General comments

Performance was generally good and balanced throughout the paper.

Comments on specific questions

Question 1

- (a) Most candidates produced a reasonable manufacturing account but there were only a few fully correct accounts. Common errors included the omission or incorrect treatment of carriage inwards and the omission of the installation cost when calculating the depreciation of machinery.
- (b) The provision for unrealised profit account was well prepared with many candidates being awarded full marks. A limited number of candidates produced a statement rather than an account as was required.
- (c) This was well answered with most candidates referring to the two appropriate concepts to explain the treatment of unrealised profit.
- (d) Although most candidates were able to derive the gross profit for both types of sofas relatively few entered the cost of sales in their account.
- (e) Most candidates provided the required advice but few gave a justification to support their chosen option. Although the question asked for the answer to be supported with calculations many did not show any.

Question 2

- (a) Most candidates produced a reasonable statement with some being fully correct. The most common errors were the incorrect calculation of the non-current assets, usually as a result of multiplying the revenue by the non-current asset turnover, and the incorrect calculation of the inventory.
- (b) Many candidates calculated the working capital cycle correctly and the most common error was the incorrect rounding of the days.
- (c) Some candidates did not state whether the performance of the company had improved or worsened after considering the non-current asset turnover and working capital cycle. There were a number of good responses which received all three available marks.
- (d) A high number of candidates did identify that the increase could be due to an increase in share price and a decrease in earnings per share. Marks were often lost as the development was not sufficiently detailed to receive credit.
- (e) This was not well answered with few candidates being able to state the required limitations of ratio analysis.

Question 3

- (a) A high number of candidates correctly stated the required four benefits and there were no common errors.
- (b) The goodwill calculation was well answered with most providing the correct valuation.
- (c) This was not so well answered with few candidates providing an answer worthy of two marks.
- (d) The statement was prepared to a reasonable standard. The most common error was the incorrect treatment of the goodwill of the partnership and sole trader.
- (e) This was very well answered with many candidates calculating the value correctly. The most common error was the inclusion of the motor vehicle which was taken over by Adul in the total.
- (f) Most candidates provided the required advice and looked into the non-financial factors but few considered the financial factors which would be relevant in considering whether the correct decision had been made.

Question 4

- (a) Many candidates were able to state two features of a joint venture and only some were able to provide the required three features.
- (b)(i) The joint venture account was prepared to a high standard with many fully correct accounts. The most common error was the incorrect treatment of the cash register.
- (ii) This account was less well prepared with few correct accounts and a high number of reversed entries as well as the omission of some expenses.
- (iii) This account was also not as well answered as the joint venture account with expenses often being omitted.
- (c) Most candidates did identify the benefits of the consignment but few developed their answer sufficiently to receive the second mark for the benefit. Some candidates did not clarify whether their benefit was an aid to the consignor or the consignee.

Question 5

- (a) A high number of candidates stated two benefits of preparing a budget which was not answering the question which was specific to a cash budget.
- (b) The production budget was very well answered with a high number of fully correct budgets and no common errors.
- (c) The cash budget was also well answered but there were relatively few fully correct budgets. Common errors included the omission or incorrect calculation of the bonus and the incorrect apportionment of the fixed overheads between the two months.
- (d) This was well answered with many candidates calculating the amount of credit sales correctly and there were no common errors.
- (e) Most candidates were able to identify one method to improve the cash position with some providing a second method and some did develop their answers to receive the second available mark for the suggested method.

Question 6

- (a) (i) A high number of candidates calculated the accounting rate of return correctly. A limited number failed to deduct the write off of the investment when calculating the average profit.
- (ii) This was very well answered with a high number of correct net present value calculations.

- (iii) There were many correct internal rate of return calculations and nearly all candidates were aware of the required formula and method.
- (b) This was well answered with nearly all candidates giving the required advice and most giving an appropriate justification.
- (c) Nearly all candidates stated 'considers time value of money' but relatively few were able to state other advantages.
- (d) Most candidates were able to obtain the two marks by considering the revised net present value and advising whether the investment should be made.
- (e) There were some correct calculations but also a range of errors including the use of incorrect discount factors.

ACCOUNTING

Paper 9706/32 Structured Questions

General comments

Overall performance was satisfactory and questions three and five were the best answered on the paper.

Comments on specific questions

Question 1

- (a) Many candidates produced a highly acceptable realisation account and there were a few fully correct accounts. Common errors included the incorrect treatment of the trade receivables and/or trade payables and the inclusion of the agreed valuation of the assets as well as the purchase consideration.
- (b) Although many candidates demonstrated knowledge of the accounts very few presented an answer which stated the differences.
- (c) There were few statements showing the correct final settlement. Errors included the omission of the current accounts and the mistreatment of the vehicle taken over.
- (d) Most candidates did deduct their own asset valuation from the purchase consideration and were awarded one of the two available marks but there were few fully correct answers.
- (e) Many candidates addressed the question of whether the sole trader should be acquired rather than considering the request of the sole trader. Despite the question requesting relevant calculations very few candidates used figures to demonstrate the level of control which was held by the directors after the transaction and consequently hardly any candidate was awarded more than three of the five available marks.

Question 2

- (a) Many candidates were unable to state how the non-current asset turnover is calculated with a high number stating the calculation was made with the numerator and denominator reversed. Relatively few could provide a reasonable explanation as to why the company would want to know the ratio and generally there was no consideration of the efficiency of the non-current assets in generating revenue.
- (b) There were a high number of correct calculations but also many incorrect ones which had multiplied the revenue by the non-current asset turnover. A number of candidates made the calculation correctly despite providing an incorrect answer to (a)(i).
- (c) This was not well answered with many candidates not aware of the layout of the schedule and some failing to provide separate cost and accumulated depreciation sections. A high number of candidates accounted correctly for the cost additions and disposals and derived the closing net book values of the assets and total and consequently four marks was a common score for the question.
- (d) Although nearly all candidates demonstrated an understanding of the need for depreciation relatively few were able to provide a sufficiently strong explanation to be awarded all of the three available marks.

- (e) Most candidates were awarded two marks as they stated that the charge would be equal each year for straight-line and would reduce over time for reducing balance. Few, however, developed their answer and consequently lost the other two marks.

Question 3

- (a) Many candidates identified the additional cost but only some explained the disadvantage well enough to be awarded the second available mark. The risk aspect was identified by only a few candidates.
- (b) The consignment account was prepared to a high standard with a significant number of fully correct accounts. The most common errors were the incorrect valuation of the closing inventory and the inclusion in the account of the deposit.
- (c) This was answered to a reasonable standard with many candidates being awarded at least four marks and where marks were lost it was generally for repetition.
- (d) Most candidates gave the required advice and then provided a balanced assessment of the situation. Some candidates did not consider reasons against the given advice.

Question 4

- (a) Few candidates were able to state the required features with many merely listing examples of financial statements.
- (b) Performance varied with a wide spread of marks including some strong answers. Most candidates were aware that the purchased goodwill should be recorded at \$24 000, the inherent goodwill should not be recorded, and the non-current asset was impaired.
- (c) The statement of financial position was poorly answered with many candidates who had provided a good answer to **part (b)** not carrying forward their work to the statement. The most common errors were the incorrect treatment of trade receivables and the failure to adjust the retained earnings. Very few candidates split the bank loan into current and non-current liabilities.
- (d) Most candidates commented that the statement was not correct and provided a reasonable justification which resulted in the award of two or three marks depending on the quality of the explanation.

Question 5

- (a) A high number of candidates correctly calculated the overhead absorption rate. A limited number showed a lack of understanding by attempting to calculate a different rate for sofas and tables.
- (b) The cost and selling price calculations were very well answered with a high number of candidates being awarded full marks and where marks were lost it was invariably for using a 30 per cent mark-up for both products and/or the inclusion of direct labour rate per hour.
- (c) The budgeted total profit was calculated correctly by a high number of candidates, but a few calculated the profits for sofas and tables but then failed to provide the total profit.
- (d) The activity based costing calculations were carried out correctly by nearly all the candidates and there were no common errors.
- (e) Most candidates gave a generic answer rather than considering the specific reason for the change in price for the products of this company.
- (f) This was poorly answered with few candidates analysing the data beyond giving their advice and stating that there would be additional costs of \$200 000. Very few candidates considered the revised production outputs of sofas and tables and consequently two marks was the most common award.

Question 6

- (a)** Most candidates were able to correctly state two benefits of preparing budgets.
- (b)** There were a few fully correct trade receivables budgets but generally the question was poorly answered. Many candidates appeared to have little understanding of the budget and marks were lost for incorrect labelling and treating entries in the wrong direction.
- (c)** Although many candidates did identify that the management of trade receivables was poor relatively few were able to develop their answer sufficiently to be awarded a further two marks. Suggestions for improving the management were generally appropriate although many stated the use of a trade discount.
- (d)** In line with the trade receivables budget prepared in **(b)**, the trade payables budget was also poorly answered. Very few candidates were able to derive the opening balance and then there were invariably incorrect calculations for purchases, payments and discount received. Again, labelling was often incorrect.

ACCOUNTING

Paper 9706/33 Structured Questions

General comments

Performance was generally good and balanced throughout the paper.

Comments on specific questions

Question 1

- (a) Most candidates produced a reasonable manufacturing account but there were only a few fully correct accounts. Common errors included the omission or incorrect treatment of carriage inwards and the omission of the installation cost when calculating the depreciation of machinery.
- (b) The provision for unrealised profit account was well prepared with many candidates being awarded full marks. A limited number of candidates produced a statement rather than an account as was required.
- (c) This was well answered with most candidates referring to the two appropriate concepts to explain the treatment of unrealised profit.
- (d) Although most candidates were able to derive the gross profit for both types of sofas relatively few entered the cost of sales in their account.
- (e) Most candidates provided the required advice but few gave a justification to support their chosen option. Although the question asked for the answer to be supported with calculations many did not show any.

Question 2

- (a) Most candidates produced a reasonable statement with some being fully correct. The most common errors were the incorrect calculation of the non-current assets, usually as a result of multiplying the revenue by the non-current asset turnover, and the incorrect calculation of the inventory.
- (b) Many candidates calculated the working capital cycle correctly and the most common error was the incorrect rounding of the days.
- (c) Some candidates did not state whether the performance of the company had improved or worsened after considering the non-current asset turnover and working capital cycle. There were a number of good responses which received all three available marks.
- (d) A high number of candidates did identify that the increase could be due to an increase in share price and a decrease in earnings per share. Marks were often lost as the development was not sufficiently detailed to receive credit.
- (e) This was not well answered with few candidates being able to state the required limitations of ratio analysis.

Question 3

- (a) A high number of candidates correctly stated the required four benefits and there were no common errors.
- (b) The goodwill calculation was well answered with most providing the correct valuation.
- (c) This was not so well answered with few candidates providing an answer worthy of two marks.
- (d) The statement was prepared to a reasonable standard. The most common error was the incorrect treatment of the goodwill of the partnership and sole trader.
- (e) This was very well answered with many candidates calculating the value correctly. The most common error was the inclusion of the motor vehicle which was taken over by Adul in the total.
- (f) Most candidates provided the required advice and looked into the non-financial factors but few considered the financial factors which would be relevant in considering whether the correct decision had been made.

Question 4

- (a) Many candidates were able to state two features of a joint venture and only some were able to provide the required three features.
- (b)(i) The joint venture account was prepared to a high standard with many fully correct accounts. The most common error was the incorrect treatment of the cash register.
- (ii) This account was less well prepared with few correct accounts and a high number of reversed entries as well as the omission of some expenses.
- (iii) This account was also not as well answered as the joint venture account with expenses often being omitted.
- (c) Most candidates did identify the benefits of the consignment but few developed their answer sufficiently to receive the second mark for the benefit. Some candidates did not clarify whether their benefit was an aid to the consignor or the consignee.

Question 5

- (a) A high number of candidates stated two benefits of preparing a budget which was not answering the question which was specific to a cash budget.
- (b) The production budget was very well answered with a high number of fully correct budgets and no common errors.
- (c) The cash budget was also well answered but there were relatively few fully correct budgets. Common errors included the omission or incorrect calculation of the bonus and the incorrect apportionment of the fixed overheads between the two months.
- (d) This was well answered with many candidates calculating the amount of credit sales correctly and there were no common errors.
- (e) Most candidates were able to identify one method to improve the cash position with some providing a second method and some did develop their answers to receive the second available mark for the suggested method.

Question 6

- (a) (i) A high number of candidates calculated the accounting rate of return correctly. A limited number failed to deduct the write off of the investment when calculating the average profit.
- (ii) This was very well answered with a high number of correct net present value calculations.

- (iii) There were many correct internal rate of return calculations and nearly all candidates were aware of the required formula and method.
- (b) This was well answered with nearly all candidates giving the required advice and most giving an appropriate justification.
- (c) Nearly all candidates stated 'considers time value of money' but relatively few were able to state other advantages.
- (d) Most candidates were able to obtain the two marks by considering the revised net present value and advising whether the investment should be made.
- (e) There were some correct calculations but also a range of errors including the use of incorrect discount factors.

ACCOUNTING

Paper 9706/34 Structured Questions

General comments

Performance was generally acceptable with some very good responses. **Questions 1** and **6** were the best answered questions on the paper and **Question 5** was the least well answered.

Comments on specific questions

Question 1

- (a) A limited number of candidates produced a fully correct subscriptions account but invariably there were errors in the account. The irrecoverable debts were often omitted and the closing balances were miscalculated by many candidates. Relatively few calculated the income and expenditure posting correctly.
- (b) The income and expenditure account was well prepared by most candidates. Irrecoverable debts, again, were often omitted and many candidates incorrectly entered the purchase of equipment.
- (c) Although most candidates were awarded the available mark for the advice few were awarded more than two extra marks for the justification.
- (d) The trading account was well prepared with many fully correct accounts. Some candidates failed to adjust the purchases correctly.
- (e) Most candidates were able to correctly state two reasons for a club engaging in a trading activity.

Question 2

- (a) Very few candidates produced a fully correct statement of financial position. The most common errors were the incorrect classification of the ordinary share capital and share premium and the inclusion of the bank overdraft.
- (b) The calculations were generally well answered. The most common error for the profit for the year derivation was the miscalculation of the interim dividend. Some candidates miscalculated the profit from operations due to charging debenture interest for the year rather than six months.
- (c) Some candidates were able to state the required two accounting ratios but few were able to develop their answers sufficiently to be awarded the second available mark for each ratio.
- (d) Many candidates were aware that the proposed dividend was not recorded in the books of account and were awarded one mark but hardly any were awarded the second mark. A significant number of candidates answered part (ii) well.

Question 3

- (a) Although most candidates demonstrated knowledge of the terms their explanations were generally superficial and consequently only one mark for each of the terms was awarded.
- (b) Relatively few candidates stated the fair value of the machinery correctly but many were able to state its value in use.

- (c) A high number of candidates calculated both the carrying amount and the impairment loss correctly but considerably fewer could calculate the recoverable amount.
- (d) This was well answered with most candidates addressing the effect on the income statement and statement of financial position.
- (e) This was considerably less well answered with few candidates accounting for the fire correctly.
- (f) Explanations of an audit were very good with a high number of candidates being awarded all available marks.
- (g) Some candidates provided a good answer in relation to an unqualified audit report and were rewarded with three marks but a significant number did not understand the meaning of unqualified and produced an answer relating to a qualified report.
- (h) This was well answered with most candidates able to provide a satisfactory explanation.

Question 4

- (a) There were very few fully correct calculations of the sales revenue as hardly any candidate accounted for the unsold pastries. However, many obtained partial credit for calculating the revenue without considering the unsold element.
- (b) A limited number of candidates demonstrated an excellent knowledge of joint venture accounts and produced fully correct accounts. The vast majority, however, did not perform well with a wide range of errors including reversed entries. They could not balance the accounts and /or had incorrect labelling.
- (c) A high number of candidates were able to state two ways in which profit could be increased. Some did state that the price of the pastries could be increased without considering the fact that this could reduce the demand and not have the required effect.
- (d) This was well answered with many candidates able to obtain full marks for giving the advice and then supporting it with appropriate justification.

Question 5

- (a) There were relatively few correct calculations and a high number of candidates merely multiplied the given net purchases by 10 per cent and incorrectly believed that the returns would be \$18 000.
- (b) This was not well answered with few gaining any marks for the payments although some did correctly enter the net purchases and discount received.
- (c) Many candidates sought to reconcile actual to budget rather than opening and closing actual figures which the question required. There were very few correct statements but some candidates gained marks for the purchases and returns as well as the contra entry but few dealt correctly with the payments and discount received.
- (d) This was well answered with most candidates demonstrating a sound knowledge of the use of budgets. Nearly all gave the required advice and where justification marks were lost it was due to the candidate just addressing one side of the argument, usually not considering the disadvantages.
- (e) Most candidates identified that the budget was based on actual output but relatively few were awarded the second available mark as there was insufficient development.

Question 6

- (a) Many candidates suggested using past data for the product despite being told that the product was new. Generally candidates gave one reasonable way to estimate future inflows and a few did give two appropriate points.

- (b)** There were a high number of correct net present value calculations. A limited number of candidates incorrectly deducted depreciation. The payback period calculation was challenging for most candidates as they did not account for the sale of the machinery taking place at the end of year three.
- (c)** Performance was as for **(b)** with the net present value calculation being answered much better than the payback period calculation.
- (d)** This was generally well answered with nearly all candidates giving the required advice and most giving an appropriate justification with clear comparisons between the two options.