

ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

Candidates should always try to identify irrelevant information in the question. Any options which contain it can then be disregarded. Candidates need more clarity on the difference between capital and revenue expenditure and identification of errors which do not affect the suspense account.

General comments

Overall performance of candidates was satisfactory with almost 70% candidates answering 15 or more questions correctly. **Questions 1, 6, 7, 13, 19 and 30** proved straightforward. The questions which proved challenging are considered below.

Comments on specific questions

Question 3

The issue here was to identify which of the three items listed were capital expenditure and, therefore subject to depreciation. The purchase cost of the new motor van and trailer fell into this category. Thus the capital cost to be depreciated by 20 per cent was \$90 000, giving the key **C**.

Question 5

The question required an identification of the entry which would correct the nominal ledger as a result of the sales journal being undercast. The incorrect total of the sales ledger would have been debited to the sales ledger control account and credited to the sales account in the nominal ledger. The trial balance would have balanced, therefore the two options which included a suspense account should have been disregarded. Most candidates opted for a key which included an entry to the suspense account. The key was **D** which increased total sales and the balance on the sales ledger control account.

Question 17

From the data given the statement of financial position totals must have been \$137 000 (92 000 + 45 000). As the non-current assets were \$124 000 then the working capital must have been \$13 000, which was option **A**.

Question 20

From the options given only 2 and 3 would have resulted in an improvement of the liquid (acid test) ratio. Thus the key was **B** and not **A**, both of which actions would have resulted in worsening the ratio.

Question 22

The key here was **A**. Distinguishing between direct and indirect costs is essential when preparing a quote for a customer. Neither of the other two options given would have benefited from such a distinction.

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Paper 9706/12
Multiple Choice

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

Key messages

Candidates should identify irrelevant data in the question and ignore any options which use it. It is important that if a question contains dates, candidates should check the dates given for the data in the question. They are relevant and sometimes appear to be ignored by candidates. Candidates need more clarity on the net effect of adjustments for goodwill in the capital account of a partner.

General comments

A number of questions appeared relatively easy from the data: **6, 13, 24, 29** and **30**. In contrast, there were only two questions which candidates seemed to find difficult.

Comments on specific questions

Question 9

From the data given the comment about the debts written off during the year was not relevant. They could not be included in the closing balance of trade receivables and, therefore should not have been used in the calculations for the answer. The solution was, therefore: $\$125\,400 \times 5\% = \$6270 - \$1800 = \4470 , being the key **B**. Most candidates used the irrelevant data and incorrectly identified **A** as the solution.

Question 14

The adjustment in respect of the adjustment for goodwill was to credit X's capital account with \$40 000 and debit it with \$60 000, a net decrease of \$20 000, being the key **A**. Most candidates identified the net adjustment the other way round and thus assumed an increase of \$20 000 in X's capital account.

As a general guide, when the profit share of a partner increases, which it did in this case, it is likely to result in a decrease in their capital account balance if only goodwill is adjusted for.

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Paper 9706/13
Multiple Choice

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

Key messages

Candidates should identify irrelevant data in the question and ignore any options which use it. Candidates need more clarity on identification of errors which affect the suspense account.

General comments

A number of questions appeared relatively easy from the data: **Questions 4, 5, 9, 10, 14, 22, 25, 26 and 27**. In contrast, there were only two questions where the candidates need more clarity. These are discussed below.

Comments on specific questions

Question 8

The question required candidates to identify the balance on a suspense account arising from an error.

The error relating to the purchases journal would not have affected the suspense account. The incorrect total would have been debited to the purchases account and credited to the purchases ledger control account in the nominal ledger, thus the trial balance would have balanced.

The error relating to the discounts allowed would result in two credit entries being posted with no debit entry. This would have caused a debit balance on suspense account of \$200, the key **B**.

Question 30

A budget helps managers plan and control the business. Options **A** and **B** both related to control and option **D** to planning, in two instances specifically mentioning the words. The key was, therefore **C**.

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Paper 9706/21 Structured Questions

Key messages

Candidates need to carefully read the detail of question requirements and answer the question asked.

Marks are frequently awarded for the correct entry, this being the value with correct terminology/narrative. This applies across the different statements such as ledger accounts and financial statements. There were instances of values being presented with incorrect terminology/narrative and in some cases no terminology/narrative.

General comments

Frequently a response is required commenting on a change from one period to the next. A response indicating an increase or decrease is not sufficient. Candidates should indicate the implications of the movement for example whether it is better or worse.

Candidates often show calculations in the workings box; however, they do not then make meaningful entries in an accounting statement, which is required as part of the question.

There were frequent cases of candidates offering no response or a very limited response to cost and management accounting aspects of the syllabus, specifically for overhead absorption. Candidates are reminded that questions may be asked on any section of the syllabus.

Comments on specific questions

Question 1

This question focused on accounting adjustments, statements and analysis.

- (a) Many candidates presented two benefits of keeping full accounting records. Frequent responses were for the preparation of financial statements and monitoring of performance. Some candidates focused on one aspect only and developed to give two reasons within it, for example, preparation of Income Statements and then preparation of the Statement of Financial Position. Such responses would be treated as the same benefit. Some responses were for the preparation of important information without specifying what the information would be. Others were for providing a true and fair view, but not specifying of what.
- (b) There were many clear and specific responses explaining where prepayments and accruals would be added or deducted from, coupled with where they would then be shown in the Statement of Financial Position, be it, current assets or current liabilities. Some responses referred to added or deducted but did not specify from where. Others referred to being shown in the Statement of Financial Position without specifying the section. A few candidates responded with definitions of prepayments and accruals which was not the question requirement.
- (c) Many responses were presented for an Income Statement extract, with a closing inventory calculated using the mark-up information given in the question. Some candidates did not use the inventory turnover information to then calculate the value of stolen stock. Frequently the inventory turnover formula was inverted with cost of sales used as the denominator. Some candidates did not use a narrative for their cost of sales and gross profit and therefore did not get full credit.

- (d) There were few completely correct responses for the bank account. Many got credit for correctly including rent and expenses only. The total sales figure of was frequently omitted in the calculation for receipts from customers and similarly the total purchases figure omitted from the payments to suppliers. The closing bank balance was frequently entered as the bank statement value of \$4150 overdrawn, without making adjustment for unrepresented cheques and uncredited bankings. Some candidates entered the \$4150 bank statement value as their opening balance.
- (e) The charge for total expenses was correctly calculated by many candidates. A few candidates did reverse the adjustments for expenses prepaid and owing.
- (f) Frequently candidates indicated the direction of the change in ratios, omitting to say they had worsened. Responses are not credited for just saying the ratios had decreased without commenting on the implications of this. For the candidates developing on the implications of the movements, marks were frequently awarded for the ratios being too low and the possibility of being unable to pay debts without relying on using inventory.
- (g) Many responses gained credit for giving specific advice, invariably not to supply on credit due to the liquidity position. Responses that developed into the risk of irrecoverable debts and reduction on profit gained additional marks. Some candidates also correctly commented on the need for strict credit control procedures which would add to cost. A few responses did make the valid point that sales could be on a cash only basis.

Question 2

This question concentrated on depreciation and accounting concepts.

- (a) Some responses did not relate prudence to the non-current assets referred to in the question and related to assets. Those who did relate to non-current assets frequently made the valid comment that they would otherwise be overstated. Many responses correctly commented that profit would be overstated. Most candidates gained a credit for relating accruals with the cost aspect but frequently did not relate to the benefits that the non-current asset produces. Some candidates responded with a definition of depreciation, which was not a part of question requirement and therefore no credit was given for doing so.
- (b) There were few completely correct responses. Many correctly entered the opening credit balance. The depreciation charge for the year was seldom correctly shown with depreciation for the original equipment often calculated without taking the disposal into account. The depreciation for the new machine was often calculated on a full year basis, rather than for the period for which it had been held. In many cases meaningful calculations were not shown in the ledger account. The entry for disposal was often shown as 20% of the net book value rather than being calculated based on the cost of the machine. The correct narrative with value is required for marks to be awarded and frequently the correct narrative of Income Statement with the depreciation value was written as depreciation or machinery. There were also cases of entries being reversed.
- (c) There were few valid comments on the impact on the financial statements. Few commented that the bank would have increased by \$68 600 and current liabilities by the same amount. Frequently candidates commented that there would be a change in depreciation whereas there would be no change in depreciation. There was frequent reference to the impact of different depreciation methods, for which there was no mention in the question.

Question 3

This question related to partnerships including a revaluation.

- (a) There were many completely correct presentations showing the profit on revaluation. Some candidates showed the profit to each partner only and did not show the total profit. A few candidates included the motor vehicle in their calculation even though no revaluation was given in the question for this.
- (b) A few candidates presented a completely correct ledger account. Most candidates correctly entered credit entries for their profit on revaluation from part (a) and goodwill. Some of the debit entries were reversed particularly for the motor vehicle and the current account. The final entry for the loan to the business was sometimes shown as a Balance c/d.
- (c) Frequently candidates responded with bank finance even though the question stated, other than using bank finance. Some responses were generic rather than being related to a partnership, for example, increase capital without reference to it being from a partner. Many responses were based on limited company aspects rather than a partnership. Some responses were geared to short term aspects linked to trade payables and trade receivables periods.
- (d) Many candidates correctly provided interest on capital and interest on drawings as two of the three items. The third item was often presented as salaries, which could relate to employees, rather than partners' salaries.

Question 4

The final question concentrated on cost and management accounting, in this case, cost volume analysis and overhead absorption.

- (a) Many candidates correctly calculated the break-even point in units. Some candidates used the fixed cost per unit rather than total fixed costs in the break-even formula.
- (b) Many candidates deducted total fixed costs from contribution to show the correct annual profit.
- (c) As there were two rates for direct labour, an approach using total values was appropriate to calculate annual profit. Many candidates adopted this approach, whilst others used a per unit approach which was not appropriate for the two direct labour rates. Many candidates used the original sales volume of 200 000, rather than increasing by the 50% stated in the question. In calculating contribution, most candidates correctly separated fixed costs from variable costs, although some combined all costs.
- (d) There were few completely correct calculations for the revised break-even point. Many candidates did not adjust fixed costs by the 30% reduction for all units sold and there were few correct calculations for the revised contribution per unit. Some candidates did not round up break-even to the nearest unit, as should be the case, and presented as a fraction or decimal point of a unit.
- (e) Many candidates did not attempt this section and for those who did, few presented the correct answer for margin of safety. For the margin of safety in units many did not deduct a break-even in units from the revised sales quantity. In calculating the percentage many did not use the revised sales quantity as the denominator.
- (f) Many candidates got credit for a decision and for referring to their calculations on the movement in profit. Some then gained additional credit particularly for developing the increase in market share, factory capacity and reaction of employees to overtime. Reference to any impact on quality was also commented on by some candidates. Many others tended to repeat information given in the question such as giving values for labour costs and fixed overheads. Some candidates responded with a yes and no decision without coming to a conclusion. No decision mark was awarded in such cases.
- (g) There were many valid responses presented particularly on considering quality and reliability aspects before changing a supplier. Frequently candidates referred to an increase in price, although the question stated it would be at the same price.

- (h) Frequently candidates did not provide a response for aspects of absorption costing. Few candidates related allocation as being where overheads can be clearly identified with a single cost centre. Many related allocation as the spreading of overheads to various cost centres. Some candidates did make a valid point of overheads being charged to departments by an appropriate basis for apportionment. Few candidates related absorption of overheads as charging overheads to units of production. There was frequent reference to under and over absorption of overheads.

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Paper 9706/22 Structured Questions

Key messages

It is becoming increasingly important for candidates to show workings for computational questions.

In written questions, candidates should make sure that they provide sufficient development to their answers.

Candidates must develop greater analytical skills and learn to extract information from scenarios to make their answers relevant.

General comments

Overall well-prepared candidates performed well on this paper on both computational questions and those requiring written answers. Less well-prepared candidates struggled in particular with the discursive questions.

Many candidates demonstrated clear lack of knowledge of the operation of limited companies and in particular the purposes of a bonus issue of shares and the uses of a share premium account.

Candidates should note that when required to 'advise' directors or management on a particular issue, candidates should endeavour to discuss both positive and negative aspects of their advice.

Comments on specific questions

Question 1

The question concentrated on the accounts of a sole trader who did not keep full accounting records.

- (a) The question required candidates to calculate the balance at bank from the summary of the trader's bank statements. Whilst a number of candidates calculated the correct figure, some did not identify that the balance was overdrawn.
- (b) and (c) Preparation of a total trade receivables account and a total trade payables account were both completed with very mixed results. Well-prepared candidates were able to gain maximum marks whilst others demonstrated a total lack of basic double entry knowledge. A significant number of candidates did not carry down the closing balances and did not get the final mark in both parts of the question.
- (d) Preparation of the cash account in order to find the balancing figure attributed to operating expenses also proved challenging to some candidates due to their lack of double entry knowledge. It was not unusual to find the closing balance of cash in hand brought down as a credit balance.
- (e) Most candidates prepared the income statement for the year correctly and incorporated their own figures from earlier parts of the question.
- (f) This task required candidates to advise whether or not the trader should employ a book-keeper. The majority of candidates offered good reasons why he should employ a book-keeper and stronger responses rightly pointed out that the business was making sufficient profits to cover the additional expense incurred.

- (g) Well-prepared candidates were able to state two reasons why a trader might maintain a provision for doubtful debts with many relating their answer to the relevant accounting concept.

Question 2

The question tested candidates' knowledge of partnership accounts.

- (a) Preparation of the partners' capital accounts was very mixed. Most candidates correctly accounted for goodwill, but a number of candidates allocated the revaluation surplus between all three partners rather than just the two original partners. The most common mistake was an inability to correctly account for the requirement of the closing capital account balances.
- (b) Most candidates were able to offer a valid meaning of the term 'goodwill'.
- (c) Well-prepared candidates were able to identify the fact that the adjustment for goodwill on the introduction of a new partner was to reward the original partners for their efforts in building up a successful business.
- (d) Very few candidates were able to offer any valid explanation as to why the partners may choose not to maintain a goodwill account in the books of account. The correct response lay around the issue of subjectivity of the valuation.
- (e) There were some very mixed answers to the task requiring candidates to advise the partners of the effect on the return on capital employed. One point to note is that where a question states that the answer should be supported with calculations, candidates must do that – many did not do so.

Question 3

The question concentrated on limited company accounts.

- (a) (i) Candidates generally were unable to offer more than one valid reason for a company to make a bonus issue of shares. Many simply stated 'to reward shareholders'. It is important that candidates should develop their answer to get due credit.
- (ii) Responses to three uses of the share premium account was also not answered well, indicating a lack of learning of characteristics and uses of limited company equity.
- (b) Candidates did not perform well on preparation of a basic statement of changes in equity. Very few candidates recognised the need to adjust the company's profit from operations to account for debenture interest paid. A number of candidates were unable to correctly account for the rights issue of shares.
- (c) Whilst most candidates appeared to know the journal entry required to record a revaluation of non-current assets, many incorrectly credited the revaluation account. When preparing journal entries, the name of the account must be totally correct – in this case, the revaluation *reserve* account.

Question 4

The final question concentrated on marginal costing.

- (a) Most candidates were able to state what is meant by break-even point.
- (b) Whilst many candidates were able to correctly name three uses of marginal costing, for example make or buy decisions, special orders etc., many appeared to misunderstand the question and gave generalised answers without naming specific uses.
- (c) (i) Most candidates were able to offer a valid reason for the decrease in the direct material price.
- (ii) Whereas, few were able to offer a valid reason for the increase in the direct labour rate, with most offering reasons for an increase in the total cost of direct labour rather than the labour rate.

- (d) Few candidates answered this question well. Most answers were very vague, coming to no valid conclusion.
- (e) Many candidates were able to correctly calculate the profit for the year if the expansion went ahead and continue the thread to calculate the profit per unit, though less well-prepared candidates appeared to be unfamiliar with the contribution to sales ratio.
- (f) Most candidates correctly calculated the revised break-even point based on their own figures.
- (g) There were very few strong responses. Many candidates did not focus their answer on the greater risk to the shareholders' investment.
- (h) Whilst there were a few very good responses as to whether the expansion should go ahead, the majority of candidates concentrated only on the prospective increase in profits, thereby totally ignoring the negative aspects of the proposal, for example the accuracy of the directors' estimates, the availability of labour etc.

ACCOUNTING

Paper 9706/23 Structured Questions

Key Messages

It is important for candidates to show workings for computational questions as due credit cannot be given to candidates who may have arrived at an incorrect answer if workings are not shown.

In written questions, candidates should make sure that they provide sufficient development to their answers.

Candidates must develop greater analytical skills and learn to extract information from scenarios to make their answers relevant.

General Comments

There was evidence of good performance in the preparation of computational tasks though; less well-prepared candidates did not answer the discursive questions well.

Where required to 'advise' directors or management on a particular issue, candidates should endeavour to discuss both positive and negative aspects of their advice.

Comments on Specific Questions

Question 1

- (a) The question required candidates to state the double entry required to record a rights issue of shares at a premium. Responses were generally very good.
- (b) Having been provided with a statement of changes in equity, candidates were required to identify various points from this.

The first event was a bonus issue of shares. Due to the fact that no monetary transaction was involved, most candidates correctly identified this.

Second, candidates were required to explain why the bonus issue was deducted from share premium rather than retained earnings. Well-prepared candidates correctly stated that this was to retain reserves in the most flexible form.

The third part of the question required candidates to state which dividend had been processed part way through the year. Whilst many candidates identified this as a final dividend, it was clearly the final dividend of the previous year that had been paid. This latter information was required to be for full credit.

Candidates were next required to state why the directors had created a general reserve and a large number correctly stated that this was to retain profits for future re-investment in the business.

Finally, asked to explain why the long-term bank loan was not recorded in the statement, most candidates recognised the necessary distinction between debt and equity.

- (c) Candidates were required to calculate the net book value of the non-current assets which proved challenging for some candidates. Many candidates produced uncoordinated / unstructured working. Structure was very important in these workings.
- (d) Preparation of the statement of financial position produced very mixed responses. While well-prepared candidates presented the statement appropriately, weaker candidates showed little knowledge of the correct format for a limited company statement.
- (e) Advice on whether the directors should decrease the depreciation rates was generally well answered with many candidates developing their answer around the concepts of prudence and consistency.

Question 2

- (a) Preparation of the realisation account as a result of the dissolution was very mixed. A few candidates did obtain full marks for the task, but once again, presentation was often poor and difficult to follow.
- (b) Calculation of the amount to be paid to one of the partners on dissolution was generally good, though a number of candidates tried to produce a T account and hindered themselves in doing so. A straight forward, simple calculation was all that was required.
- (c) Most candidates were able to correctly identify two items that may be included in a partnership agreement.
- (d) The final part of the question required candidates to explain why partners may each have a separate capital account and current account. Few candidates were able to be awarded more than two of the four available marks and a number of candidates did not attempt this task. Candidates provided strong responses for the computational tasks on partnership accounts but were not able to demonstrate the necessary knowledge and understanding to answer a slightly different aspect.

Question 3

- (a) While most candidates were probably well aware of the difference between margin and mark-up, many had difficulty in expressing their answer adequately. All the question was really looking for was the relationship to revenue in the case of margin and cost of sales in relation to mark-up.
- (b) Most candidates were able to name one cost that would not be included in the calculation of expenses to revenue ratio and also two costs which might be included in administrative expenses. The only occasional weakness here was that some less well-prepared candidates included costs that clearly belonged to distribution costs.
- (c) Calculation of the three ratios – gross margin, expenses to revenue and profit margin was excellent in the majority of cases.
- (d) A significant number of candidates were clearly unaware of the relationship between these three ratios. Many candidates simply stating that they all related to sales revenue.
- (e) A significant number of candidates suggested that the higher gross margin was due to increased sales. In order to gain the credit, the relevant part of the answer had to relate to selling price rather than total sales revenue.

Question 4

- (a) (i) Most candidates were able to correctly calculate the budgeted contribution per unit.
- (ii) Calculation of the budgeted margin of safety produced mixed results. A common error was not being able to recognise that the breakeven point has to be rounded up to the next whole number on the grounds that it is not feasible to produce a fraction of one unit.
- (iii) Most candidates were able to calculate their own budgeted margin of safety as a percentage.
- (b) (i) A significant number of candidates were unable to calculate the correct revised budgeted contribution. Many started off with an incorrect number of units produced which distorted most of their calculations; others calculated the budgeted contribution per unit only. There was once again, a lack of clarity in candidates' workings and presentation.
- (ii) Credit was given to candidates bringing forward their own budgeted contribution from **part (i)**, but even allowing for this, performance was unsatisfactory, with many candidates using an incorrect fixed costs figure.
- (c) Evaluative skills were lacking when asked to advise the directors whether to accept the sales manager's plan. Too many responses lacked any focus and few candidates addressed non-financial factors as requested in the task.
- (d) Most candidates were able to offer one assumption made when using cost-volume-profit (CVP) analysis, though many were not able to expand into second and third assumptions.
- (e) Few candidates were aware of the practical advantages of using CVP analysis suggesting a lack of understanding of its usefulness to the management accountant and a degree of rote learning of the assumptions made.

ACCOUNTING

Paper 9706/31 Structured Questions

General comments

Overall candidates performed reasonably well on this paper. Candidates are advised to read the questions carefully before writing their answers.

Comments on specific questions

Question 1

- (a) This was generally well answered with most candidates explaining at least one use of a receipts and payments account.
- (b) The account was well prepared by nearly all of the candidates with the most common errors being the incorrect treatment of the marathon and not being able to calculate the depreciation correctly.
- (c) The statement of financial position was less well prepared with candidates often producing a statement in a poor format. Few were able to correctly derive the accumulated fund and the donation was often placed in an incorrect section of the statement. Some candidates did not total the current assets and current liabilities.
- (d) Only a few candidates were able to provide a good explanation.
- (e) Despite the generally poor performance for part (d) in which most candidates did not explain life membership satisfactorily many candidates were able to correctly apply their knowledge to the given scenario.

Question 2

- (a) The majority of candidates were able to state an appropriate reason why assets and liabilities may be revalued when a partnership is sold.
- (b) Performance was reasonable with many fully correct solutions. The most common error when calculating the purchase consideration was the omission or incorrect calculation of goodwill. Nearly all candidates including those who had made an error in the calculation of the purchase consideration were able to calculate the amount paid to partners in cash.
- (c) Candidates generally prepared a statement in reasonable format but very few were fully correct. Common errors included the miscalculation of the cash and cash equivalents entry as well as ordinary shares and share premium.
- (d) This was not answered well with only a few being able to correctly calculate the profit on realisation.
- (e) Although most candidates did provide a decision the evaluation was generally not satisfactory. Although the question requested reference to the change in return on capital employed many candidates chose to ignore this.

Question 3

- (a) Candidates generally made a reasonable attempt at the three explanations but very few gave a fully correct answer. Many could not address the benefit of audited statements to shareholders but rather gave a factual description. Most candidates performed well on (iii) with many correctly explaining the bank's concern in making loans and the subsequent repayment of such loans.
- (b) Few candidates made the required profit adjustments. Hardly any correctly calculated the additional depreciation on land and buildings although most did correctly account for the irrecoverable debt.
- (c) Most candidates produced a reasonable schedule in an acceptable format. A common error was the omission of the opening net book value.
- (d) Most candidates did not understand that the revaluation would be required for all the land and buildings and consequently the advice provided was not acceptable.

Question 4

- (a) This was not well answered with few candidates addressing the requirements of the question.
- (b) This was well answered with many candidates stating four precautions that should be taken to ensure security of the computerised accounting data.
- (c) Performance was mixed with many candidates not being able to explain their identified benefit. It should be noted that where a question requires an explanation with two available marks the second mark will be available for development. There were, however, a number of good responses,
- (d) The income statement was prepared to a reasonable standard with some candidates producing a fully correct statement. The most common error was the incorrect calculation of the finance costs.
- (e) Most candidates did provide the required advice but, some did not justify their advice with any calculations despite the specific requirement of the question.

Question 5

- (a) There were relatively few fully correct tables. Many candidates did not adjust the fixed costs for the included depreciation.
- (b) Nearly all candidates performed well on this part as those who had made errors in part (a) were fully rewarded for correctly discounting their own figures.
- (c) This was well answered with nearly all candidates knowing the required formula and applying it correctly.
- (d) Many candidates performed well on this question. Some, however, did not address the NPV.
- (e) Few candidates were able to make the required calculations.
- (f) Few candidates were able to provide any appropriate explanation.

Question 6

- (a) Overall, the variance calculations were made to an acceptable standard. Errors were often made in calculating both the material usage variance and the labour efficiency variance.
- (b) The reconciliation statement was produced in an acceptable format by nearly all of the candidates. Some candidates treated their variances in the incorrect direction or omitted some of the variances from the statement.
- (c) Most candidates made some valid points. Despite the question specifically asking for relevant calculations some candidates did not provide any to support their answer.

ACCOUNTING

Paper 9706/32 Structured Questions

General comments

Overall candidates performed reasonably well on this paper. However, performance on both the statement of changes in equity (**Question 4**) and the cash budget (**Question 6**) were relatively not satisfactory.

Comments on specific questions

Question 1

- (a) This was generally well answered with most candidates able to state at least two reasons and some providing three appropriate reasons.
- (b) Many candidates calculated the gross profit and cost of sales without attempting to determine the cost of production. Only a limited few were able to deduce the opening and closing finished goods inventory and consequent cost of production.
- (c) Those who had struggled with part (b) generally did not answer this well. The work in progress was invariably treated incorrectly and some candidates omitted the factory overheads.
- (d) This was generally well answered with nearly all candidates getting the correct gross profit, administrative expenses and distribution costs. Few candidates prepared a fully correct statement.
- (e) Most candidates provided some appropriate advice but very few related the labour costs to the depreciation.

Question 2

- (a) This was well answered with most candidates able to provide reasonable explanations. A limited number merely stated that a non-adjusting event was an event that was not adjusted and these candidates did not receive any credit.
- (b) This was generally well answered. Common errors included incorrect labelling and the incorrect calculation of the closing inventory and/or the finance costs.
- (c) Very few candidates were able to derive the previous year's trade receivables and overall performance on this part was poor.
- (d) Very few candidates were able to calculate the required trade receivables collection period for 2016 but most were able to calculate it for 2017. The advice provided was generally acceptable. Many provided suggestions for improvement which was not asked for in the question and was not rewarded.

Question 3

- (a) Performance on the preparation of the ledger accounts was not satisfactory. The joint venture account was the best answered but many incorrectly included the \$500 from Alice and Belinda which was paid into the bank account. There were a range of errors in the Alice and Belinda accounts including incorrect labelling and reversal of entries. Although most candidates did enter the two \$500 deposits and the payment for the equipment in the joint venture bank account very few showed the transfers from the accounts of Alice and Belinda.
- (b) Few candidates correctly calculated Belinda's profit share. The most common error was the omission of the depreciation. Most candidates provided a decision and appropriate justification but some did discuss general advantages and disadvantages of a partnership which was not worthy of credit.

Question 4

- (a) Performance was not satisfactory with relatively few fully correct statements. Some candidates entered the given closing balances as their opening balances and many incorrectly entered the debenture and/or the final dividend.
- (b) Although a limited number of candidates were able to correctly calculate the required ratios the overall performance was not satisfactory. Many did not know the correct formula for some of the ratios and marks were invariably lost for omitting suffixes or using incorrect suffixes.
- (c) Most candidates were able to make a comparison between their own figures and the given industry averages. The required analysis was often not made.
- (d) This was answered to a reasonable standard with most giving the required advice and then some justification points. Some did not address the impact on the return on capital employed and some of those who did came to the incorrect conclusion that the overall return on capital employed would worsen.

Question 5

- (a) This question was reasonably well answered with most candidates calculating the costs correctly and then adding the mark-up correctly to arrive at a selling price. The most common error was the incorrect calculation of the purchasing overheads and some candidates omitted the direct costs from their calculation.
- (b) This was also well answered with those who had answered part (a) correctly also applying their knowledge and understanding to produce a statement giving the selling price of the two products.
- (c) This was less well answered with many candidates not referring to their calculations and few identifying the difference between activity-based costing and absorption costing.
- (d) The majority of candidates answered this question well.

Question 6

- (a) Many candidates were able to identify three advantages but the question asked for an explanation so the second available mark for each advantage was often not awarded due to the lack of development.
- (b) Performance was not satisfactory and though there were a few good responses there were many demonstrating little understanding. Common errors included the incorrect inclusion of depreciation and the omission of sales and purchases for July. Both the drawings and interest were often calculated and/or treated incorrectly within the budget.
- (c) Most candidates made some valid points with nearly all discussing the time value of money and the consideration of all of the cash flows.

ACCOUNTING

Paper 9706/33 Structured Questions

General comments

Overall performance of candidates was good with many candidates achieving a high grade.

Comments on specific questions

Question 1

- (a) This was well answered with most candidates correctly calculating the percentage of factory profit used by the company.
- (b) The manufacturing account was prepared without any errors by well-prepared candidates.
- (c) The income statement was prepared to a high standard. The most common error was the omission of the decrease in provision for unrealised profit. Some candidates used unacceptable labels and were not awarded marks.
- (d) Although most candidates did provide the required advice the justification was often limited.
- (e) Nearly all candidates stated the meaning of prime cost and were able to provide the two required examples.

Question 2

- (a) Very few candidates were able to state three advantages but nearly all did receive some credit.
- (b) The depreciation calculations were well answered with most candidates calculating the depreciation on the buildings correctly. Many did also make the other two calculations correctly but being more complex there were some errors which appeared to be careless rather than demonstrating a lack of knowledge and understanding.
- (c) The note was also well prepared and the layout and presentation were good in most instances.
- (d) Nearly all candidates recommended an option and gave relevant justification for the recommendation.

Question 3

- (a) Most candidates were able to calculate the profit correctly and gained full marks. There were no common errors but a limited few did omit one of the transactions.
- (b) The joint venture accounts were prepared to a high standard with few errors.
- (c) Most candidates were able to identify and then develop a benefit of setting up a joint venture.
- (d) Nearly all candidates made a recommendation but the justification was often generic rather than specific to the given scenario.

Question 4

- (a) Nearly all candidates gave an acceptable explanation of the difference between a bonus issue and a rights issue with many being awarded all three available marks.
- (b) The profit calculation was made correctly by many candidates. The most common error was the miscalculation of the finance costs which related to interest charges for six months only.
- (c) The statement of changes in equity was prepared to a high standard. A few candidates incorrectly included the final proposed dividend in the statement.
- (d) The statement of financial position was also prepared to a high standard with many fully correct statements and no common errors.

Question 5

- (a) Although many candidates did identify two advantages many did not develop the advantage sufficiently to gain the second mark for each advantage.
- (b) This was very well answered with most candidates producing a fully correct flexed budget and there were no common errors.
- (c) Most candidates were able to explain possible reasons for the difference between the flexed budget and the actual data.
- (d) This was not so well answered with relatively few identifying the difficulty in evaluating performance if a fixed budget is produced.

Question 6

- (a) Nearly all candidates calculated the required annual net cash flow correctly. Where there were errors these appeared to be due to inattention rather than lack of understanding.
- (b) Although many candidates did calculate the accounting rate of return correctly a significant number did not account for the depreciation of the machinery.
- (c) Many candidates correctly calculated the ARR for Option 2 but again some candidates did not account for depreciation.
- (d) Nearly all candidates were aware of the advantages and disadvantages of ARR as a method of investment appraisal.
- (e) Many candidates did not address the non-financial factors and generally only provided two appropriate points.