

ACCOUNTING

Paper 9706/11
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	A
4	C	19	A
5	C	20	C
6	A	21	A
7	D	22	C
8	B	23	D
9	B	24	A
10	A	25	A
11	D	26	C
12	C	27	D
13	B	28	C
14	B	29	B
15	C	30	D

Key messages

Candidates should always try to identify irrelevant information in the question. Any options which contain it can then be disregarded.

Candidates should have knowledge of entries in the sales and purchases ledger control accounts, specifically which items appear on which side of each account.

General comments

Questions **1**, **2**, **21**, and **29** proved straightforward, with more than 70 per cent of candidates identifying the correct key. Those questions which caused difficulty will be considered below.

Comments on specific questions

Question 5

Candidates were required to calculate the correct balance on the purchases ledger control account when errors discovered were corrected. Item 2 had no effect on the balance as it only affected the supplier's account in the purchases ledger. The difference between the two figures in item 1 and the figure in item 3 should be added to the starting balance and the contra entry deducted. This would have left a balance of \$15 990, being the key **C**.

Question 7

Candidates could have calculated the closing balance on the sales ledger control account. In doing so it was necessary to gross up the cash received from credit customers. The result would have been a closing balance of \$52 500. This would have resulted in a provision for doubtful debts of \$1050 ($\$52\,500 \times 2$ per cent). The opening provision was \$1890, thus the new provision would have resulted in a reduction and, therefore an income of \$840 in the income statement, the key **D**.

Question 9

From the data given, total of the net assets was \$39 100. Therefore the closing balance of the owner's capital account would also be \$39 100, giving the key **B**. Drawings and profit for the year were not relevant and should have been ignored.

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Paper 9706/12
Multiple Choice

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

Key messages

Candidates should always try to identify irrelevant information in the question. Any options which contain it can then be disregarded.

Candidates should note the dates given in the question. These are important and may affect an answer.

General comments

Candidates found **3**, **11** and **26** relatively easy, with more than 70 per cent of candidates identifying the correct key. In contrast, there was a number of questions which candidates seemed to find difficult. These have been discussed here.

Comments on specific questions

Question 4

In this question candidates needed to consider the dates, specifically the length of time which the warehouse had been owned before the revaluation, which was five years. This left a further 20 years for it to be depreciated using the straight line method on a revaluation of \$120 000, meaning an annual charge of \$6000, being the key **D**.

Question 5

Candidates were required to calculate the correct totals of the sales ledger balances. The only items which should have been taken into account were 1 and 4. The irrecoverable debt would have reduced the total and the unrecorded sale increased it, giving the key **D**.

Question 9

The amount of net trade receivables at the end of the year was the total figure of \$84 600 less the adjusted provision for doubtful debts \$2555, giving the key **D**. The irrecoverable debt was meant to distract and should have been ignored.

Question 10

Most candidates used the loan to a friend as a liability when calculating the capital balance. It should have been treated as an asset to give the key **B**.

Question 17

Candidates were given data after the issue of shares had taken place. The share capital **before** the issue must have been \$900 000, therefore 300 000 shares were issued at \$1.50 each. This would have generated \$450 000 in cash, giving the key **C**.

Question 19

Looking at the financial statements of a business is essentially looking back in time. Thus, it is impossible to identify any future events. In this case statements 1 and 2 should, therefore have been ignored, leaving only statement 3 as valid, being the key **D**.

Question 23

In times of rising prices FIFO gives a higher value of closing inventory. Thus using AVCO will give a lower value and thus a lower profit. This would give the key **D**.

ACCOUNTING

Paper 9706/13
Multiple Choice

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

Key messages

Candidates should identify any data which is irrelevant and ignore any options which use it.
Candidates need more familiarity with calculation of return on capital employed.

General comments

Questions **2, 4, 7, 11, 12, 15, 19, 18, 21, 22, 24, 24** and **28** proved straightforward, with more than 70 per cent of candidates identifying the correct key.

Those questions which caused difficulty will be considered below.

Specific question

Question 20

This proved to be a challenging question. It required candidates not only to adjust the numerator but also the denominator in order to correctly calculate the revised ROCE. The numerator was \$336 000, and increase of 20 per cent on the previous year. The numerator was \$1 606 000. The increase on the previous year was the additional debenture plus the profit for the year which needed to take into account the \$30 000 debenture interest for the year. It was this item which most candidates did not take into account. The key was therefore **B**.

Question 30

A budget helps managers plan and control the business. Items 1 and 2 both related to control. Option 3 made no reference to either planning or control and should have been ignored, giving the key **A**.

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Paper 9706/21 Structured Questions

Key messages

Candidates should remember that marks are awarded for the correct entry, this being the value with the correct terminology/narrative. In the case of ledger accounts some candidates used the account title as the narrative with the value, rather than the name of the account where the double entry would be completed. In financial statements such as the income statement and statement of financial position, the correct sub-heading for a section must be shown for marks to be awarded within the section. The entries should not be abbreviated.

General comments

Frequently values in accounting statements are made up of various calculations with marks being awarded for the calculations leading to a final value. Some candidates omitted calculations and did not get any marks for an incorrect final value only. Also, some candidates do not show the net value of a specific calculation, for example, a value multiplied by a percentage should not be left without showing the net value.

Questions frequently ask for a specific statement and if this requirement is not followed then marks are not awarded. For example, if the requirement is for a ledger account then a list of values will not be awarded marks.

Comments on specific questions

Section A

Question 1

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

- (a) There were very few completely correct income statements. Most candidates did use the workings box and gain marks for using net values for their entries in the income statement. Revenue and cost of sales were frequently entered correctly. A few candidates omitted or deducted the carriage inwards within cost of sales. In administrative expenses frequently candidates did not deduct the irrecoverable debt and prepaid insurance before applying the provision percentage. Distribution costs were frequently entered as the value of \$184 800 from the list of balances and no adjustments made for depreciation. Frequently candidates calculated depreciation in the workings box but did not then include in the income statement. Many entered finance costs as \$2200 and omitted the debenture interest. Those who did include a charge for debenture interest frequently calculated for a full year rather than for the ten months of issue. Frequently calculations were left without showing a net value. Some candidates did not show workings in the workings box and in such cases no marks were awarded for an incorrect final entry.
- (b) Some candidates did not show the correct sub-headings within the statement of financial position. The heading for share capital and reserves was omitted by most candidates. Some terms were abbreviated, which should not be the case in the financial statements. Within non-current assets, whilst there were many correct calculations, some candidates deducted depreciation for the current year only, omitting the depreciation for previous years. Very few candidates adjusted the trade and other receivables for the irrecoverable debt and the provision for doubtful debts. Very few candidates included a sub-heading for share capital and reserves and within this section; few candidates added profit for the year and deducted the ordinary share dividend paid from the

retained earnings to give a net value. Debentures were frequently correctly entered under long term liabilities. Few candidates entered a net value for trade and other payables; however, many did correctly enter the cash and cash equivalents under current liabilities. Some entered cash and cash equivalents under current assets.

- (c) Most candidates did give advice on their preferred option. Some responded with descriptions of each option rather than giving specific reasons for each one. Many candidates correctly commented that interest must be paid for debentures and that the debenture would increase non-current liabilities. Some candidates also commented that interest rather than dividend would be payable for the rights issue. Some commented that debentures would be quicker and cheaper, for which no marks were awarded.
- (d) Some candidates responded with external stakeholders such as the government and suppliers. Some responses did duplicate the stakeholder for example employee and manager would be regarded as one stakeholder.
- (e) Many candidates responded with correct profitability and liquidity ratios. A few did respond with liquidity ratios for profitability. Some responded with profit for the year and gross profit as two ratios, which are not ratios and no marks were awarded.

Question 2

This question focused on bank reconciliation statements.

- (a) There were some incorrect labels and reversals in the cash book. Frequently candidates included entries which were relevant to the bank reconciliation statement only. Some candidates presented a list rather than a cashbook. Interest received was often entered as a credit of \$75 rather than the \$150 needed. Some candidates did not show a balance b/d.
- (b) Frequently candidates did not use the cash book balance b/d calculated in (a). Of those who did, a cash credit balance b/d was not shown as a negative in the bank reconciliation statement. Frequently candidates included entries which were relevant to the cash book only. Some candidates presented bank reconciliation statements with adjustments shown as added when they should have been shown as subtracted. Likewise, an adjustment which should have been shown as added was shown as subtracted. Some candidates presented ledger accounts rather than bank reconciliation statements.
- (c) Whilst many candidates responded with the identification of errors, they did not relate to where the errors would be. Reference to the cash book and bank statement was also required.
- (d) There were very few completely correct responses. Some candidates presented a list of calculations and omitted to show a net value. The cost of \$800 was often entered for the damaged inventory rather than adjusting for the repairs and sale value. For the sale or return frequently candidates deducted the full sales value rather than the profit element only. Many candidates made the correct entry for the accrued rental.

Question 3

This question related to partnerships and included the retirement of a partner.

- (a) Most candidates deducted costs from fees and omitted to make a deduction for the 5 per cent loan interest which would apply as there was no formal partnership agreement.
- (b) Most candidates correctly divided the profit value calculated in (a) by three.
- (c) Few candidates made the correct entries in the revaluation account. Trade receivables were frequently entered as \$27 000 rather than the entries for the irrecoverable debt and provision for bad debts. Those who did an entry for the provision for doubtful debts often multiplied the provision of 4 per cent by the original trade receivables of \$27 000 rather than first deducting the irrecoverable debt of \$2000. More candidates correctly made entries for motor vehicles to show a net debit of \$3,000. Terminology for a capital account was often omitted.

- (d) The question requirement was for a statement and many candidates presented a capital ledger account for Bilal. For those who did present a statement frequently it was incomplete and no entries made for the motor vehicle and goodwill.
- (e) Some response related to drawings rather than capital. Some candidates stated to reward partners but omitted to say 'for what'. Reference to their capital investment was also required. Candidates frequently did correctly respond to encourage further investment.
- (f) Frequently candidates responded on drawings in general and did not relate to excessive drawings. There were frequent responses to stopping drawings rather than discourage excessive drawings.
- (g) Many responses related to profit sharing, interest on capital and interest on drawings. These were already stated in the question. Other responses sometimes omitted any reference to a partner. Some candidates responded with provisions from the Partnership Act 1890, which was not the question requirement.

Question 4

This question concentrated on cost and management accounting, in this case absorption costing.

- (a) Frequently candidates correctly responded that selling prices could be set. Many referred to over and under absorption which was not relevant to the question. Many candidates responded that it was simple to calculate, for which no marks were awarded. Frequently candidates responded on advantages of marginal costing.
- (b) Many candidates earned full marks correctly completing the table to show the correct apportionment of budgeted overhead costs. Some did make arithmetical errors and some did not fully complete the table.
- (c) Many candidates correctly used their totals from (b) to calculate absorption rates. Most used the correct basis of labour hours for assembly and machine hours for printing. Some candidates did not round calculations correctly.
- (d) Some candidates included an overhead calculated by both basis for each department. Few candidates correctly applied a 25 per cent profit margin to their calculations and frequently applied a mark-up of 25 per cent to cost.
- (e) Some candidates presented calculations for total overheads rather than relating to the specific order. There was frequent reversal for over and under absorption with many candidates referring to over absorption as under absorption. Likewise, under absorption was referred to as over absorption. Very few candidates calculated a net value.
- (f) Many candidates correctly referred to the positive contribution made by all models. Some also commented that if a model was discontinued then fixed costs would need to be reallocated to the remaining models. Few mentioned that the method of allocating fixed costs may be inappropriate. Many presented calculations for profit and did not refer to the contribution. The possibility of redundancies and adverse publicity were commented upon most frequently for non-financial factors. Some candidates did not make a response to this section.

ACCOUNTING

Paper 9706/22 Structured Questions

Key messages

It is important for candidates to show workings for computational questions. This ensures that some credit may be earned even though the final answer may be incorrect.

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 were some strong responses from the well-prepared candidates on both computational questions and those requiring written answers. Weaker candidates struggled in particular with the discursive questions.

It is important for candidates to understand 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

- (a) The question required candidates to prepare the income statement for the year taking account of various adjustments. The majority of candidates were able to correctly make adjustment for the more routine issues but again, less well-prepared candidates were unable to correctly account for the adjustment to closing inventory. In the expenses section, most candidates correctly calculated the depreciation charges distribution costs and finance costs. Almost all candidates provided good, comprehensive workings.
- (b) The task produced very mixed responses. Many candidates were able to gain two marks by discussing the aspect of revenue reserves being distributable whilst capital reserves are not, but many did not add a second relevant difference.
- (c) This part was quite well answered. Some less well-prepared candidates concentrated too heavily on one or the other option with no valid comparison between the two.
- (d)(i) Candidates concentrated on the reduction of irrecoverable debts and the potential loss of credit customers to gain both marks.
- (ii) This was not as well answered. When discussing the issue of the availability of discounts, many candidates did not differentiate between cash discounts and trade discounts.

Question 2

- (a) Candidates were required to calculate three ratios. In all three cases, many candidates were able to produce accurate calculations, though a great many lost the final mark in each case by either answering to one or two decimal places or by rounding their answer down. These responses should always be rounded up to the next whole day.

- (b) Most candidates did not answer this question well. Most responses lacked the required depth of discussion and many candidates did not link the implications on cash flow of paying creditors five days early and receiving revenue from customers six days late. A small minority of candidates calculated the current and acid test ratios that were not required.
- (c) Most candidates were able to identify three drawbacks for a business holding too much inventory.

Question 3

- (a) Preparation of the partners' capital accounts produced mixed responses. A common problem was calculation of the profit on revaluation of the assets. Some candidates did not bring down the closing balances on the account and therefore lost the final mark. A minority of candidates combined the non-current assets and the cash introduced by the incoming partner. This had to be two separate entries.
- (b) This part required preparation of the appropriation account and was not answered well. Whilst a minority of candidates were able to correctly calculate the loan interest and the salary applied to the new partner, very few candidates gained more than those two marks due to not recognising the mechanics of the split period.
- (c) The question required explaining two reasons why a partnership might keep separate current and capital accounts. This produced some reasonable responses but many lacked clarity. It was often difficult to ascertain which account candidates were referring to in their responses. Marks were frequently awarded for comments regarding the ease of calculation of interest on capital and drawings, but few candidates were able to offer more detailed explanations.

Question 4

- (a) The first task required candidates to explain two drawbacks of using a budgeted overhead absorption rate. Other than referring to the fact that figures were estimated and could therefore be inaccurate, few candidates developed their answer to address the effects of over and under absorption.
- (b)(i) Most candidates were able to correctly allocate the maintenance department costs to the two production departments.
- (ii) The majority of candidates were also able to correctly calculate the overhead absorption rate. It should be noted that candidates should be aware that rates must always be correctly rounded to two decimal places when required.
- (c) Calculation of the total actual wages was well answered by most candidates.
- (d) Calculation of the over- or under-absorption of production overheads for each department caused problems for less well-prepared candidates though there were also some strong answers. Most candidates omitted the apportioned maintenance cost in their calculation.
- (e) Using marginal costing, candidates were required to advise whether or not an order from a customer should be accepted. Most candidates tended to concentrate solely on either financial or non-financial factors which limited their opportunity to gain full marks. However, there were signs of better reasoning in many of the answers compared to previous sittings.
- (f) The final task, requiring candidates to state four factors that a business should consider before changing its supplier produced some good responses with many candidates gaining full marks.

ACCOUNTING

Paper 9706/23 Structured Questions

Key messages

It is important for candidates to show workings for computational questions. This ensures that some credit may be earned even though the final answer may be incorrect.

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 were some very good responses from the well-prepared candidates with clear progress on both computational questions and those requiring written answers. However, less well-prepared candidates struggled in particular with the discursive questions.

It is important for candidates to understand 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

- (a) The question required candidates to prepare the income statement for the year taking account of various adjustments. The majority of candidates were able to correctly make adjustment for the more routine issues but, less well-prepared candidates were unable to correctly account for the adjustment to closing inventory. In the expenses section, most candidates correctly calculated the depreciation charges, though many did not adjust for accrued finance costs. Almost all candidates provided good, comprehensive workings.
- (b) The question required candidates to prepare the statement of financial position. Both the content and presentation of the statement was good from the well-prepared candidates. Less well-prepared candidates struggled with the various adjustments required and often presentation was not in an acceptable format for a limited company.
- (c) Most candidates were able to identify the debenture as a long-term loan with an interest rate of 6% though many candidates stated that the debenture was repayable at the end of 2022 rather than within the quoted two-year period.
- (d) The question required candidates to advise the directors to choose between making a bonus issue of shares or paying a dividend to shareholders. Majority of candidates found this to be challenging. Most responses were very vague with little relevant development. Few candidates referred to the fact that the company already had a bank overdraft and that the dividend would involve a cash outflow. Similarly, few candidates referred to the fact that the payment of equity dividends is discretionary.

Question 2

- (a) Most candidates were able to state the effect that the disposal of a non-current asset would have on the financial statements.
- (b) Preparation of the non-current assets section of the statement of financial position was less well done by most candidates. Perhaps the greatest obstacle was a lack of structured workings. This clearly hindered candidates' ability to earn credit unless a correct final answer was given.
- (c) The task tested candidates' understanding of the appropriateness of two different methods of depreciation.
 - (i) Central to the explanation was the fact that computers lose more value in the early years of their life and sadly many candidates failed to recognise this fact.
 - (ii) More candidates were able to gain two marks by recognising that these are small value items that are difficult to keep track of.

Question 3

- (a) The question required candidates to calculate six accounting ratios. Of the six, many candidates struggled only with the rate of inventory turnover and the return on capital employed. Many candidates ignored the question requirement of rounding the answers to two decimal places.
- (b) Having been provided with the previous year's ratios, candidates were asked to suggest possible reasons for the changes in the business during the year. The majority of responses were very vague and did not concentrate on the relevant issues that caused the changes. Well prepared candidates were able to gain two or three of the available four marks, but many candidates did not produce any rewardable points.
- (c) Most candidates were able to state two interested parties in the financial statements of a business and to explain the interest.

Question 4

- (a) The first task required candidates to explain the difference between allocation and apportionment. There were a number of good responses highlighting the fact that the main difference revolved around whether the costs were directly attributable or not.
- (b) The task involved a straightforward re-apportionment of service department costs to production departments and was well answered by most candidates.
- (c) Calculation of an overhead absorption rate (OAR) for the two production departments was again well completed by a large number of candidates, but it must be noted that the OAR must be followed by the basis to be used (e.g. per labour hour) to gain full marks.
- (d) Once again, the discursive question led to lots of vague and under-developed responses. Many candidates did not attempt this question.
- (e) Calculation of the quoted selling price for a customer order produced a reasonable response with a number of candidates gaining full marks.
- (f) Calculation of the total receipt if the customer took a cash discount was also well answered.
- (g) The final task, for seven marks, required candidates to advise the directors whether or not they should introduce a system of budgetary control. In order to answer a question of this nature, candidates should firstly assess the benefits and drawbacks of the proposal before formulating their advice. Many candidates lacked any structure to their answer and therefore gained few marks.

ACCOUNTING

Paper 9706/31 Structured Questions

Key messages

Candidates should focus on all sections of the syllabus and should read the question requirements carefully before answering. Some candidates omitted calculations and did not get any marks where there was an incorrect final value only.

General comments

Overall performance of candidates was reasonable. **Questions 1** and **5** were the best answered questions on the paper.

Comments on specific questions

Question 1

- (a) Most candidates were able to explain the term with many being awarded both of the available marks.
- (b) There were many fully correct calculations and nearly all candidates were aware of the method to calculate the accumulated fund and there were no common errors.
- (c) The subscriptions account was prepared to a high standard with some candidates being awarded full marks. The common errors were the omission or incorrect treatment of the irrecoverable debt and the incorrect posting of the opening and/or closing balances.
- (d) The extract from the statement of financial position was well prepared by most candidates but a limited number of candidates did not to show the section headings.
- (e) Most candidates were able to identify two appropriate ways to increase the future annual surplus but only a limited number were able to develop their answer sufficiently to be awarded more than two of the available four marks.
- (f) Those candidates who were aware that the treatment was incorrect generally developed their answer appropriately with many being awarded all of the four available marks. The limited number who incorrectly stated that the treatment was correct generally showed little understanding of the topic.

Question 2

- (a) (i) Although most candidates demonstrated knowledge of the term, relatively few provided an explanation worthy of two marks and consequently one mark was awarded to the vast majority of candidates.
- (ii) This was very well answered with nearly all of the candidates stating two correct duties of the auditor.
- (b) Many candidates prepared the extract correctly and there were no common errors.

- (c) The statement of changes in equity was well prepared with some fully correct statements. The most common errors were the incorrect inclusion of the proposed dividend and the omission of the profit for the year.
- (d) The statement of financial position was also well prepared by most candidates. The most common error was the omission of the debenture interest accrual.
- (e) Although many candidates were able to correctly calculate both the fair value and value in use only a limited number calculated the impairment loss as was required.
- (f) Although some candidates did identify the relevant standards, the general discussion of the decision, with a few exceptions, was not satisfactory.

Question 3

- (a) Although many candidates did correctly enter the current liabilities, relatively few were able to deduce the ordinary share capital and share premium and even fewer entered the retained earnings in the statement of financial position.
- (b) The calculations of the ratios were performed well with candidates being able to obtain the available marks for using their own figures correctly where errors had been made in **part (a)**. Some candidates did not give their answers to two decimal places as was required.
- (c) The analysis of the financial performance was made to a reasonable standard although in some cases there was insufficient development.
- (d) The mark for the advice was generally awarded but the justification was often not worthy of credit with few candidates stating that there was insufficient cash to pay the proposed dividend without raising the additional funds.

Question 4

- (a) Relatively few candidates were able to correctly calculate the gain on realisation due to errors in calculating the gain/loss of the assets and liabilities and the goodwill.
- (b) The capital accounts were well prepared with the most common error being the omission or incorrect treatment of the ordinary shares.
- (c) The statement of financial position was also well prepared. Common errors included omission of goodwill and / or not accounting correctly for the share premium.
- (d) Nearly all candidates stated at least one appropriate advantage whilst some did state two advantages and obtained both marks.
- (e) Most candidates did provide the required advice but many did not justify their advice. Some candidates did not support their answer with calculations.

Question 5

- (a) This was well answered with a significant number of correct answers. The most common error was not deducting the cost of the machine when calculating the average profit.
- (b) Most candidates were able to state two disadvantages of the method but generally only one advantage.
- (c) This was very well answered with many candidates being awarded full marks. There were no common errors.
- (d) Most candidates did know the formula of IRR and were able to apply it.
- (e) Most candidates answered this for the advice and then provided acceptable justification to be awarded a further three or four marks.

- (f) The calculation was challenging to most candidates with very few correct solutions.

Question 6

- (a) Most candidates could state one disadvantage of operating a standard costing system with some able to state a second disadvantage.
- (b) Performance was mixed with candidates who had a good knowledge of variances scoring full marks. Nearly all were able to obtain the available mark for the total labour variance.
- (c) This was well answered with most candidates able to identify possible reasons for their calculated variances.
- (d) The reconciliation was answered to a reasonable standard with some fully correct statements. Common errors included the incorrect calculation of the standard material and labour costs and treating the variances in the wrong direction in the statement.
- (e) Most candidates provided the required advice and many then did justify their answer and were consequently awarded both of the available marks.

ACCOUNTING

Paper 9706/32 Structured Questions

Key messages

Candidates should focus on all sections of the syllabus and should read the question requirements carefully before answering. Some candidates omitted calculations and did not get any marks where there was an incorrect final value only.

General comments

Overall performance of candidates was reasonable. **Question 5** was the best answered question and **Question 3** was the least well answered.

Comments on specific questions

Question 1

- (a) Most candidates correctly calculated the net book value of the freehold property but relatively few were able to calculate the cost and accumulated depreciation of the plant and machinery and motor vehicles.
- (b) Many candidates did not answer this question well. Very few candidates made any adjustment to the retained earnings and some adjusted the trade receivables incorrectly.
- (c) Some candidates did not answer the question by providing descriptions of the different methods of depreciation. Those that did address the requirements of the question generally gave two or three appropriate factors.
- (d) Many candidates gave the required advice and three relevant comments. Few, however, supported their answer with ratios. Those who did calculate the current gearing ratio and the gearing ratio after raising the finance were able to score full marks for the question.

Question 2

- (a) (i) Most candidates identified that the profit on consignment would be overstated as the expenses were understated. However, the amount of the profit overstatement was not calculated correctly.
- (ii) Very few candidates calculated the amount by which the profit for the year was understated.
- (b) The consignment account was well prepared with most candidates being awarded at least six of the ten available marks. A limited number produced a fully correct account and were awarded ten marks. The most common errors were the incorrect calculation of the closing balance and incorrect labelling of the income statement and/or the closing balance.
- (c) Performance was mixed with some correct calculations but also many omitting the balance of \$32 500 and/or the balance from the consignment account.
- (d) Most candidates identified the probable saving on transport costs and the wider market but few provided any other valid points.
- (e) This was well answered with many candidates giving an appropriate explanation of the difference between an agent in a consignment and a party in a joint venture.

Question 3

- (a) Relatively few candidates were able to calculate the correct goodwill figure due to errors being made in the comparison of the net assets to the fair value of each business.
- (b) This was not well answered with very few candidates entering an adjusted bank figure or updated capital account balances for the partners. Most candidates were awarded the three available marks for non-current assets, inventory and trade receivables.
- (c) There were a limited number of fully correct current accounts. Many weak responses included incorrect items such as capital account balances and goodwill.
- (d) Many candidates were awarded the two available marks for using their own figures from **part (b)** for the capital employed and then giving their answer to two decimal places as was required.
- (e) A significant number of candidates wrote about the generic advantages and disadvantages of a partnership which was not required. Some candidates stated whether or not there was a financial advantage to the partners but only a few gave an appropriate evaluation by considering the change in profits, drawings and return on capital employed.

Question 4

- (a) Only a limited number of candidates could answer this question.
- (b) The cash flow statement was prepared to a reasonable standard with well prepared candidates obtaining high marks. The most common errors were incorrect labelling throughout the statement and the inclusion of items in the incorrect section of the statement. Some candidates were unable to derive the opening and closing cash and cash equivalents figures from the given information.
- (c) Many candidates were awarded the available mark.
- (d) This was answered to a reasonable standard with most candidates giving two or three valid points. Some candidates did provide five appropriate reasons and therefore were awarded full marks. A limited number wrote in general terms about cash budgets which was not required and did not receive any credit.

Question 5

- (a) Many candidates answered this question well. The most common error was the incorrect calculation of direct labour for product Y.
- (b) Many candidates gave an acceptable response and were awarded the mark. However, there were some responses which indicated a lack of knowledge.
- (c) This was well answered with many candidates being awarded full marks. Nearly all were able to calculate the overheads for each product using activity based costing.
- (d)(i) Many candidates made the calculations correctly and scored full marks. Where errors had been made earlier in the question credit was given to candidates using their own figures correctly.
 - (ii) Those candidates who had made the calculations correctly in **(d) (i)** generally answered this question well too.
- (e) Responses were satisfactory with nearly all being awarded the available mark for the advice. Candidates were more aware of the reasons against changing the method than those for not changing.

Question 6

- (a) (i) This was well answered although relatively few scored full marks as a result of not moving the sales figures back by one month.
- (ii) Many candidates did not move the production units to the correct month. Some candidates did not adjust for the 10 per cent increase in the cost of direct materials for August and September.
- (b) Many candidates stated the advantages and disadvantages of preparing budgets rather than what the question asked.
- (c) This was answered to a reasonable standard with many candidates stating one appropriate reason with a limited number providing two reasons worthy of credit.
- (d) Few candidates prepared a flexed budgeted profit statement and showed the variances and consequently very few were awarded full marks. Most candidates scored some marks for either the statement or the correct calculation of the variances.

ACCOUNTING

Paper 9706/33 Structured Questions

General comments

Overall performance was satisfactory with all of the questions being answered to a good standard.

Comments on specific questions

Question 1

- (a) The manufacturing account was well prepared with many candidates being awarded full marks. The most common error was the incorrect calculation of the factory profit.
- (b) The income statement was also well prepared with most candidates producing the statement in good format and deriving the revenue entry. Few candidates did not account for the increase in the provision for unrealised profit.
- (c) Most candidates provided a range of valid points and were rewarded accordingly.
- (d) This was well answered with many candidates giving a sufficiently detailed explanation.

Question 2

- (a) The joint venture account was prepared to a high standard with no common errors.
- (b) Bonnie's account was also well prepared although marks were lost by some candidates for omitting the amount paid in to the bank account and/or the valuation of the catering equipment transferred by Bonnie to the joint venture.
- (c) There were many correct calculations but some candidates did not recognise the original gross profit and consequently could not calculate the new gross profit.
- (d) Nearly all candidates provided the required advice and most were able to justify their answer with valid points.
- (e) A significant number of candidates identified that in both cases more cash had been taken than was entitled and that cash was owed to the business by the parties and consequently both marks were awarded. Some candidates did not explain adequately but did exhibit some knowledge and were awarded one mark.

Question 3

- (a) Many candidates produced a journal entry which recorded the acquisition correctly. A few candidates did not answer the question as they gave their answer in an account format.
- (b)(i) There were many correct calculations of the gearing ratio and no common errors.
- (ii) Most of those who had calculated the pre-acquisition gearing ratio were able to repeat the calculation using the post-acquisition figures.

- (c) Although most candidates knew the formula, relatively few were able to correctly calculate the total profit from operations by combining the profits from both businesses and consequently the numerator was often incorrect although the capital employed was invariably correct.
- (d) This was well answered with nearly all candidates giving the required advice with appropriate justification from their earlier calculations.
- (e) Nearly all candidates provided one valid advantage and some did give two advantages and were awarded both of the available marks.

Question 4

- (a) Relatively few candidates gave an acceptable explanation of stewardship and a lack of understanding of the term was evident in most cases.
- (b) Most candidates provided an appropriate explanation with many being awarded full marks.
- (c) The income statement was prepared to a high standard with many being fully correct. The most common error was the incorrect treatment of the sale or return goods in the adjustment of cost of goods sold.
- (d)(i) Nearly all candidates calculated the dividend per share correctly and those that had made errors in the profit calculation were fully rewarded for the calculation being correct based on their own profit figure.
 - (ii) Responses were generally acceptable with most candidates stating that the value of the proposed dividend was greater than the cash balance and that the proposed bonus issue would preserve the cash balance. Some candidates did not support their answer with relevant calculations.

Question 5

- (a) A high number of candidates calculated all of the variances correctly and there were no common errors.
- (b)(i) Analysis of the relationship between the material variances was well answered.
 - (ii) Likewise, analysis of the relationship between the labour variances was well answered.
- (c) This was not well answered and although some candidates were aware of the capacity and efficiency sub-variances, few were able to provide a satisfactory explanation.
- (d) Nearly all candidates gained the mark for advice and a significant number did provide sufficient justification to receive all of the available marks.

Question 6

- (a) This was very well answered with many candidates correctly calculating the accounting rate of return and being awarded all of the ten available marks. A limited few made the error of not subtracting the cost of the machine when calculating the average profit
- (b) There were many fully correct solutions and no common errors.
- (c) Although many candidates were able to state two advantages and two disadvantages very few were able to state a third advantage or disadvantage.
- (d) Nearly all candidates were awarded the available mark for advice and then most were able to provide three relevant points of justification with the consequent award of four marks. A limited few did give a fourth point and were awarded the fifth mark.