

ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

Candidates must always read each question carefully. They need to focus on the following areas:

- Knowledge of the sequence in which accounting records are prepared.
- Knowledge of recording the various methods of depreciation in the relevant ledger accounts.

Candidates need to know how to eliminate all irrelevant data in the question when looking for the correct key.

General comments

Overall candidates did not perform very well on this paper. Of the candidates who sat this examination, only 32 per cent achieved a score of 15 or more correct answers. **Questions 3, 12, and 14** proved straightforward, with more than 70 per cent of candidates identifying the correct key. There were several questions which proved challenging to the candidates, and these have been considered below.

Comments on specific questions

Question 4

When using the revaluation method for recording the depreciation of loose tools all entries are made in the loose tools account, with the loss in value of loose tools (their depreciation) being credited in that account. Thus the key was **C**.

Question 8

By reversing the entry in respect of the withdrawal for petty cash of \$200, candidates should have been looking for another error for twice the amount: \$400. Thus **A** and **C** should have been eliminated, leaving the key **D**.

Question 17

The retained earnings at 31 May 2020 would have been overstated at that date as a result of the overvaluation of closing inventory. However, this would not have affected the retained earnings for the following year as any correction would have been made in respect of the 2020 financial statements. Thus the key was **A**.

Question 28

When using cost-volume-profit analysis it is possible that any costs (fixed and variable) may change, selling prices can change and sales volume too. However, as is always true of marginal costing splitting costs easily between their fixed and variable components is never simple. Thus in this case the key was **A**.

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Paper 9706/12
Multiple Choice

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

Key messages

Candidates must always read each question carefully. They need to focus on the following areas:

- The effect on profit of using absorption costing rather than marginal costing to value inventory.
- The effect on ratios of changes in either the numerator or denominator.

General comments

The performance of candidates on this paper was reasonable. Of the candidates who sat this examination, 42 per cent achieved a score of 15 or more correct answers. Only two questions appeared easy, **20** and **26**, with more than 70 per cent of candidates identifying the correct key. There were three questions which seemed to prove challenging. They are considered below.

Comments on specific questions

Question 2

If the business is not a going concern then it is highly likely that it may be sold entirely or broken up with individual assets (both current and non-current) sold separately. Thus the key was **C**.

Question 19

The non-current asset turnover ratio is calculated as net revenue divided by non-current assets. If the net revenue remains the same for two years but the ratio improved then the value of non-current assets must have decreased in the second year. Of the four statements given only **C** would have had this effect.

Question 25

When using absorption costing to calculate the profit an increase in inventory will result in a higher value for closing inventory than when using marginal costing. This in turn will result in a higher profit figure. Thus the key was **A**, in this case the units of inventory (500) multiplied by the fixed cost per unit (\$15).

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Paper 9706/13
Multiple Choice

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

Key messages

Candidates must always read each question carefully. They need to focus on the following areas:

- Factors involved in the calculation of the budgeted overhead absorption rate.

General comments

The performance of candidates on this paper was reasonable. Of the candidates who sat this examination, 58 per cent achieved a correct score of 15 or more. **Questions 11, 14, 21 and 28** were answered correctly by more than 70 per cent of candidates.

There were two questions where the correct response was slightly lower than the general trend of the paper. These are reviewed in the next section.

Comments on specific questions

Question 25

The total budgeted direct labour hours were 4000. When calculating the budgeted overhead absorption rate only the factory fixed costs should have been used. The budgeted depreciation on office equipment and administrative expenses should have been ignored. Thus the key was **A**.

Question 30

When preparing budgets both monetary (financial) and non-financial factors are considered. Indeed, it is quite common for budget preparation to begin with budgeted sales units. The shareholders rarely, if ever, see the budget and budgets are usually (or should be) prepared by line managers. Thus the only valid statement was **B**.

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Paper 9706/21 Structured Questions

General comments

Marks are frequently awarded for the correct entry, this being the value with the correct terminology/narrative. There were cases of correct values being presented but with incorrect terminology/narrative and in some cases with no narrative.

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

Comments on specific questions

Question 1

- (a) Most candidates gained at least one mark for correctly including cash sales as part of total revenue. Few candidates calculated the correct credit sales and many included the sale of equipment. Frequently candidates did not adjust credit sales for the opening and closing trade receivables.
- (b) There were few completely correct responses for the cash account. Many omitted the opening cash balance of \$150. Some entered drawings for one month only rather than for the full year. Many did correctly enter the wages \$7620. There were some reversals. The question indicated there was no cash balance at the end of the period, however some did enter a balance. A few incorrectly included the general expenses payment of \$940 which had made through the bank account.
- (c) Most candidates correctly used their calculated revenue from (a) as part of the income statement. Some incorrectly included drawings and purchases of equipment in cost of sales. Many correctly added the decrease in provision for doubtful debts and profit on disposal to gross profit. Although some entered these as expenses. Some candidates entered the new provision for doubtful debts rather than the decrease. Frequently expense values were entered directly from the bank receipts and payments with no adjustments were made for accruals and prepayments. General expenses were often entered as \$940 rather than adding this to the amount calculated in (b). Few entered the bank interest and often the full bank loan repayment \$1390 was entered in error as an expense. Depreciation was often entered as the difference between the two values at the start and end of the year omitting to adjust for the sale and purchase of equipment. The irrecoverable debt was usually correctly entered.
- (d) There were many weak responses for the extract for capital and liabilities. Frequently no entry or an incorrect entry was made for capital at the start. Some candidates did correctly deduct drawings for the year. Trade payables and other payables were often correctly entered. Some candidates included the bank loan from the previous period rather than the current bank overdraft. Few candidates included the correct terminology within the statement.
- (e) Many candidates stated an increase in price would lead to increased profit, omitting to make any reference to a possible reduction in demand. Many candidates correctly stated that demand could fall if price was increased. A few candidates did correctly refer to the reaction of competitors. Some considered either the case for or the case against increasing prices.

- (f) Frequently the amount and age of trade receivables were correctly stated. Some candidates also correctly related to past experience and specific knowledge. Some candidates responded with how a provision is calculated rather than the factors which should be considered when making a provision for doubtful debts.

Question 2

- (a) There were many weak responses for the statement of changes in equity. Most gained a mark for correctly entering the profit for the year \$96 000. Some candidates did correctly apply the \$0.05 dividend per share to their own share capital and gained an own figure mark. Some entered dates as the description for each entry. Correct description is required for this statement. Frequently the final total value was correct for either the row or the column but not both.
- (b) This was well answered by many candidates with frequent references to voting rights and dividend aspects for ordinary shareholders and preference shareholders. Some candidates considered either the case for the issue of ordinary shares or the case or the case for the issue of preference shares. To gain maximum marks both options should be considered and a decision made.
- (c) Many candidates correctly responded on the long-term aspect of debentures. There were some references to the payment of a dividend rather than a fixed interest rate.

Question 3

- (a) Most candidates gained marks for the correct credit entries for discount allowed and purchases ledger contra in the adjusted sales ledger control account. Few candidates gained marks for the debit entries with the narrative being frequently incorrect. For example, the returned cheque \$380 being entered with the narrative 'dishonoured cheque' rather than 'bank'. Frequently candidates included entries which were relevant to the sales ledger balance adjustment rather than the sales ledger control account.
- (b) Few candidates calculated a correctly adjusted total for the sales ledger balance. Frequently candidates included entries which were relevant to the sales ledger control account rather than the sales ledger. Some candidates added rather than subtracted entries and vice-versa.
- (c) Many candidates correctly referred to a different person/segregation of duties. Some candidates however, discussed arithmetical accuracy of ledgers.
- (d) This question was well answered with many candidates gaining at least two marks for stating the types of error that will not be identified by preparing a sales ledger control account.

Question 4

- (a) Many candidates calculated the correct contribution per unit for each product. Some made arithmetical errors in calculations.
- (b) Many candidates calculated the correct maximum monthly contribution and profit. Some presented calculations for each product and did not show total amounts. Some candidates used the annual fixed overheads rather than monthly.
- (c) There were many correct responses for the direct labour hours. Some candidates incorrectly responded with monthly demand in units.
- (d) There were a few very strong responses with candidates correctly applying the limiting factor. Some candidates prioritised based on the contribution per unit without any reference to the limiting factor. There were also some very weak responses with no reference to contribution or the limited direct labour hours.
- (e) There were very few correct responses for this question and many students did not give a response. Few candidates deducted the overtime premium from the original contribution. Some candidates did gain marks for applying the correct fixed overheads of \$8200.

- (f) There were many good responses on the disadvantages of bonus payments with frequent reference to the additional expense and possible reduction in profit. Some candidates responded on the advantages of bonus payments.
- (g) There were many well developed responses on the disadvantages of budgetary control. There were frequent references to demotivating of employees. Some candidates responded on the advantages of budgetary control.

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 be penalising themselves.
- In written questions, candidates should make sure that they provide sufficient development to their answers. One- or two-word answers will seldom suffice and this is particularly important when the command word in the task is 'explain'.
- 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.
- When asked to present accounts, labels and dates are very important and failure to be accurate in this respect will result in lost marks.

General comments

Overall, there have been improvements in performance in some areas.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

- (a) Required candidates to prepare a journal entry to record the revaluation of a freehold property. Responses were generally weak with many candidates struggling to recognise that once the revaluation reserve of \$6000 was utilised, the balance of \$2000 must be debited to the income statement. Generally, the details column of the journal was either omitted completely or had weak responses.
- (b) Required candidates to prepare an income statement from given data incorporating various adjustments. A pro forma of the income statement was provided and candidates who produced detailed workings produced far more accurate income statements and were consequently awarded higher marks. Many candidates failed to calculate a correct value for closing inventory and very few provided a correct figure for the finance costs, many including the total of the debenture as part of the costs.
- (c) Preparation of a statement to show the closing balance of retained earnings was well answered by many candidates though some omitted the dividend payment. Many weak responses failed to provide suitable labels to their figures, given that the question required a statement.
- (d) Most candidates were able to state two ways in which the level of trade receivables of a business could be reduced.

- (e) Required candidates to advise the directors whether they should make a rights issue of shares or issue a debenture to finance expansion. Responses were very mixed with well-prepared candidates recognising that in the context of the question, direct comparison must be made between the two alternatives. Almost all candidates gave a decision and the reasoning for each option was generally very clear.

Question 2

The second question focussed on clearing a suspense account resulting from errors in the bookkeeping.

- (a) Required candidates to prepare the suspense account to clearly identify the opening balance. This was often not well answered with a number of candidates putting the same entry on the debit and credit side of the suspense account and others failing to enter valid account names for the entries. Many candidates entered the purchase of new machinery into the suspense account – this was treated as an alien as it did not affect the suspense account. However, well-prepared candidates were able to produce a totally correct account for full marks.
- (b) Required candidates to state the name of three types of error identified and candidates struggled to gain more than one or two marks.
- (c) Asked candidates to explain two benefits to a business of preparing a purchases ledger control account and was generally well answered. Candidates must remember that when asked to explain a point, development of the identified point must be included for full marks.
- (d) Required candidates to state two items that would appear on the credit side of a purchases ledger control account and many candidates were able to gain two marks. Answers had to be precise to be rewarded so purchases was awarded zero marks, it had to state credit purchases.

Question 3

The question concerned the bookkeeping entries for share issues and the payment of a dividend.

- (a) Required completion of three accounts – ordinary share capital, share premium and retained earnings. Many candidates demonstrated a distinct lack of double entry knowledge. In any double entry system, dates and labels for accounts are very important and this weakness was apparent in a number of scripts. A number of candidates included the proposed dividend in the retained earnings account when it is only entered in the records when paid.
- (b) Asked candidates to state two differences between capital reserves and revenue reserves. Many candidates simply stated a characteristic of one of the reserves and did not get marks. Difference questions must address both aspects so it is not sufficient, for example, to simply state that revenue reserves can be used to pay dividends without addressing the fact that capital reserves cannot.
- (c) Asked candidates to explain one reason why a company might make a bonus issue of shares and was generally well answered, though once again several candidates did not offer sufficient development of the point identified to gain the second mark.

Question 4

The final question concentrated on cost and management accounting. This particular question focussed on absorption costing.

- (a) Required candidates to identify one possible basis of apportionment that a business could use in respect of three costs – rent and rates, machinery depreciation and electricity for machinery. Most candidates offered a valid basis for the costs.
- (b) The first task required candidates to prepare a statement showing the reapportionment of service department overheads. Most candidates were familiar with the technique and only a small minority failed to gain good marks.

- (c) Candidates then had to calculate the overhead absorption rate for each production department. Based on their own figures, most performed well, though some failed to 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.
- (d) Required candidates to calculate the over-absorption or under-absorption of overheads for each production department. Based on their own figures from the earlier tasks, many candidates were able to gain full marks for the question, though some still failed to differentiate between over and under absorption.
- (e) 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 once again a failure to recognise the difference between mark-up and margin to calculate the final selling price to quote.
- (f) Required candidates to advise the business owner whether or not he should use one factory-wide overhead absorption rate rather than separate departmental overhead absorption rates. Many candidates were able to gain two marks by stating why he should use a factory-wide rate but answers against the proposal were generally very weak with many simply offering the opposite of the points for. However, most candidates did finish their answer by offering advice as required.
- (e) The final task required candidates to explain two effects that over-absorption of overheads may have on a business. Once again, a failure to offer development of identified points prevented many candidates from gaining full marks.

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Paper 9706/23 Structured Questions

Key messages

The key messages that have been recorded from many previous sittings of this examination.

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates are unfairly penalising themselves.
- In written questions, candidates should make sure that they provide sufficient development to their answers. One- or two-word answers will seldom suffice. In particular, 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, never abbreviated.

General comments

It was clear that as a result of the continued disruption caused by the worldwide pandemic, some candidates were again, perhaps understandably, inadequately prepared for the examination. Whilst this paper was sat by a much smaller number of candidates than usual, it was pleasing to note that there were a few scripts of an exceptionally high standard though a significant number of candidates failed to offer any response to a high number of questions.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

- (a) Required candidates to calculate from data provided:
- (i) the cost of sales. Based on the inventory turnover, well prepared candidates were able to gain the available two marks.
 - (ii) revenue for the year. Based on the gross profit margin given, again, well prepared candidates were able to gain the available two marks.
- (b) Required candidates to calculate the closing balance of the provision for doubtful debts. Data was provided giving an aged analysis of net trade receivables to enable calculation of the provision and this was generally well answered.
- (c) Required candidates to prepare an income statement from given data incorporating various adjustments. A pro forma of the income statement was provided and as is usually the case, candidates who produced detailed workings produced far more accurate income statements and were consequently awarded higher marks. Many candidates failed to calculate a correct value for the finance costs, but most were able to correctly account for the split of expenses between distribution costs and administrative expenses.

- (d) Required preparation of the statement of changes in equity. Whilst most were able to calculate the correct figures, many candidates were penalised for failing to enter appropriate labels in the details column. A statement of changes in equity, in common with all other mandatory financial statements is subject to the same rules. Entering the date of the transaction in the details column is not acceptable; the label must indicate the nature of the transaction.
- (e) (i) **Part (i)** required candidates to state the formula for calculating the non-current asset turnover and only a minority of candidates were able to correctly answer this task.
- (ii) **Part (ii)** asked candidates to state what information would be obtained from calculating the non-current asset turnover and only a few candidates were able to identify that it shows how efficiently the business is utilising its non-current assets to generate revenue.
- (f) Required candidates to state three limitations of ratio analysis and most candidates were able to gain at least two of the available three marks.

Question 2

The second question focussed on partnership accounts.

- (a) Required candidates to state one reason why a partnership may revalue assets on the retirement of a partner and whilst most candidates were able to give a valid response, others were somewhat vague and not worthy of reward.
- (b) Given that various assets were to be revalued on the retirement of a partner, candidates were asked to prepare the revaluation account. Well prepared candidates were able to gain the available three marks, whilst others produced a very confused account, missing the object of the revaluation.
- (c) Candidates were required to prepare the partners' capital accounts to record the change in the structure of the partnership. Whilst some candidates were able to gain the majority 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. Despite the fact that questions of this nature are frequently asked in this examination, a significant number of candidates were unable to attempt the task.
- (d) Asked candidates to advise the remaining two partners how the amount due to the retiring partner should be financed. Responses were very mixed and whilst most candidates did offer advice, much of the justification for that advice was either flawed or very weak.

Question 3

The question concerned provisions for depreciation and the disposal of a non-current asset.

- (a) Required candidates to prepare the provision for depreciation account following the part exchange of machinery and the scrapping of a further item of machinery. Sadly, many candidates demonstrated a lack of the necessary double entry bookkeeping skills to complete the task. Dates and details were often missing or incorrect and many were unable to correctly calculate the correct depreciation charge to transfer to the income statement.
- (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 disposal account and once again the lack of double entry bookkeeping skills were apparent. Whilst better candidates dealt correctly with the machinery that was part of the part exchange transaction, many failed to account for the machinery that was scrapped.
- (d) Asked to discuss the reasons why a business may choose to depreciate plant and machinery using the reducing balance method produced mixed responses. Some candidates correctly identified that the machinery is likely to be more productive in the early years, but few went on to recognise that this method complies with the accruals/matching concept.

Question 4

As is always the case, the final question concentrated on cost and management accounting. This particular question focussed on marginal costing.

- (a) Calculation of the weekly break-even point was generally well answered with the majority of candidates applying the correct technique.
- (b) (i) Whilst many candidates were clearly aware of what the margin of safety is, few were able to offer a valid definition of the term.
(ii) **Part (ii)** asked candidates to explain the usefulness of the margin of safety and whilst well-prepared candidates were able to gain both of the available two marks, many other offered no response to the question.
- (c) Candidates were required to prepare a weekly profit statement using marginal cost principles. Whilst there were a number of correct answers, some candidates were clearly unaware of the structure of marginal costing and failed to separate variable costs and fixed costs to identify the contribution.
- (d) Calculation of the required selling price for a contract to achieve a 20 per cent contribution to sales ratio again emphasised the lack of marginal costing knowledge and only a minority of candidates were able to secure all three available marks.
- (e) The question required candidates to prepare a profit statement. This was well done by the well-prepared candidates. Weaker candidates demonstrated their lack of 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. Furthermore, when asked to produce a statement, appropriate labels must be used rather than just a list of figures.
- (f) Candidates were required to calculate the total weekly profit if offering a settlement discount for paying the account within seven days. Only a small minority of candidates produced a correct answer and many did not attempt the task.
- (g) Asked to advise the directors whether the proposed terms by a customer should be accepted produced quite superficial responses. Although required to consider both financial and non-financial factors, most candidates focussed on the profit element only and thus restricted their available marks. Whilst there were a few excellent responses, many were too superficial to gain more than two or three of the available seven marks.
- (h) Candidates were required to state two advantages of cost-volume-profit analysis to management and other than the fact that it aids short-term decision making, there were few valid responses.
- (i) Candidates generally were better prepared to state three limitations of cost-volume-profit analysis and a number of candidates were able to gain all three available marks.

ACCOUNTING

Paper 9706/31 Structured Questions

General comments

Performance was fairly constant across the paper with **Question 3** being the best answered.

Comments on specific questions

Question 1

- (a) Few candidates identified the required entry.
- (b) The statement of cash flows was prepared to a reasonable standard with most candidates presenting their answer in accordance with IAS 7. The most common errors were the omission of the loss on machinery and the incorrect treatment of the dividends.
- (c) Most candidates gave the requested advice to the directors but the supporting evidence was invariably not appropriate and few candidates were awarded more than two of the four available marks.
- (d) The discussion of the decision to issue the debenture was not well answered. Many candidates did discuss the interest implications but few mentioned the increased gearing for the company which would have resulted due to the issue.

Question 2

- (a) Although most candidates were able to outline some of the steps to implement the computerised system there were few answers which were awarded more than six marks. Few answers addressed the transfer from the manual system but most did mention passwords and the backing up of the data.
- (b) Few candidates could explain the error in the treatment of the staff training but many demonstrated a knowledge of the treatment of impairment for non-current assets. A limited number of candidates identified that the destroyed inventory was a non-adjusting event and many were aware that the revaluation of the premises would have no effect on profit.
- (c) Most candidates provided a reasonable explanation and were awarded one mark with a limited number being awarded two marks.

Question 3

- (a) This was very well answered with a high number of candidates giving two ways that the partners could be rewarded.
- (b) This was also well answered with many candidates able to state three differences between a partner and a shareholder.
- (c) Although there were some fully correct calculations many candidates were unable to account for the profit on realisation but most did deal correctly with the capital and current account balances.

- (d) Nearly all candidates provided a decision for Malcolm but some failed to submit any calculations to support the decision despite the instruction in the question. The calculations which were made were generally correct but the comments to support the decision were often very sketchy.
- (e) The journal entry was poorly prepared with a number of candidates seeming to be unaware of the layout of such an entry.

Question 4

- (a) Explanations were generally poor with few responses identifying the key differences.
- (b) The income and expenditure account was well prepared with a limited number of fully correct accounts. The most common errors were the inclusion of the purchase of the computer and the incorrect treatment of advertising and fundraising.
- (c) The statement of financial position was less well answered with few fully correct statements. The most common error was the omission of the bank balance.
- (d) Most candidates were able to provide one way to increase income with a few suggesting two ways.
- (e) Few candidates gave an acceptable explanation.
- (f) Whilst many candidates identified the presence of members few developed their answer sufficiently to be awarded the second mark.

Question 5

- (a) The purchases budget was not well prepared with many candidates not differentiating between purchases and production. Some candidates made errors when adjusting the opening and closing inventories.
- (b) The cash budget was well prepared with most candidates presenting it in an acceptable format. The most common errors were the incorrect treatment of purchases and the failure to account correctly for the labour overtime.
- (c) There were few appropriate comments on the month for the machine replacement.
- (d) This was answered to a higher standard with nearly all candidates giving a decision. Some provided a valid point to support the decision with a limited few giving two valid points and being awarded three marks.

Question 6

- (a) Most candidates prepared a reasonable statement with a limited number being fully correct. The most common errors were the failure to show production cost despite this being asked for and the incorrect treatment of selling and administrative overheads.
- (b) The revised statement was also well prepared with nearly all candidates able to apportion the production overheads using activity based costing. A mark was often lost again due to the failure to show production cost.
- (c) The profit calculation was not well answered with many candidates failing to use the selling prices and production costs from their earlier answer.
- (d) Most candidates gave the required advice to the directors but the comments to support the advice were generally inappropriate and consequently few candidates were awarded more than three marks.

ACCOUNTING

Paper 9706/32 Structured Questions

General comments

Performance was mixed but broadly similar to previous series. **Questions 4 and 5** were the best answered on the paper.

Comments on specific questions

Question 1

- (a) There were a reasonable number of correct draft profit for the year calculations but many candidates incorrectly deducted the provision for depreciation of the non-current assets from the gross profit.
- (b) Despite the instruction to start the corrected profit calculation with the previously calculated draft profit many candidates did not do this. Although there were a limited number of fully correct calculations there were also a range of errors including the omission of the impairment of motor vehicles and the inclusion of the dishonoured cheque and the compensation provision.
- (c) The statement of financial position was not well answered with relatively few candidates being awarded more than ten of the available seventeen marks with some candidates entering the given trial balance figures without adjusting for the given additional information. Most candidates made the correct entries for the general reserve and the bank loan but few accounted for the provision and the bank overdraft was often shown as a current asset. Few candidates accounted correctly for the ordinary share capital, the revaluation reserve and retained earnings.
- (d) This was well answered with a high number of candidates giving an appropriate explanation and being awarded the two available marks.

Question 2

- (a) Many candidates derived the purchases figure and made the adjustments for the opening and closing inventories correctly. Few, however, used the 100 per cent mark-up incorrectly and therefore provided a different figure for gross profit to cost of sales which resulted in an incorrect profit figure.
- (b) A reasonable number of candidates calculated the subscriptions received correctly but many made errors when making the adjustments for subscriptions in arrears and subscriptions paid in advance. The calculations for cash takings banked and club expenses paid by cash were much less well made or even omitted with relatively few correct calculations. The opening and closing cash and bank balances were often included in both calculations, the subscriptions banked was often omitted and the profit from the vending machines rather than the takings was often used.
- (c) The income and expenditure account was prepared to a reasonable standard but there were few fully correct accounts. Common errors included the incorrect treatment of the subscriptions as amounts in arrears and advance were included, entering the purchase of new furniture and not providing for depreciation.
- (d) A high number of candidates were awarded all of the three marks as they gave a decision along with two appropriate comments.

Question 3

- (a) Many candidates correctly calculated the earnings per share but some used the value of the share capital rather than the number of shares. Most were also able to explain why the value remained the same for the two years.
- (b) Relatively few candidates were able to calculate the two ratios correctly but there were more correct responses for the price earnings ratio than the dividend yield with some candidates clearly unaware of the dividend yield formula. Marks were often lost for incorrect suffixes and not providing the answers to two decimal places.
- (c) Few candidates identified the date of issue of the bank loan with many stating that it had been received at the beginning of the year.
- (d) Candidates tended to state the changes which had taken place but very few gave an explanation of the significance of those changes. The identification, for example, that a long-term bank loan had been taken would not have received any marks without the development of the change in gearing and requirement to pay interest which would affect the profit for the year.
- (e) Many candidates correctly named the two required financial statements although some did incorrectly name the statement of financial position but few were able to state how a proposed dividend would be recorded.
- (f) Few candidates were able to state any items which would be contained in the report with some stating the dividend policy which had been given in the question.

Question 4

- (a) Some candidates did provide two appropriate costs but many did not clarify that it would only be local distribution and transportation that the consignee would be likely to pay. Some included import duties despite the instruction in the question.
- (b) The consignment account was well prepared with many fully correct accounts. The most common error was the inclusion of the commission at the value given in the incorrect consignment account.
- (c) The calculation was well answered with many correct solutions and the most common error was the omission from the calculation of the amount owing at the end of the year.
- (d) The explanation was answered to a reasonable standard with a limited number of candidates being awarded all seven marks. Some candidates did not support their answer with calculations despite the instruction in the question and some did not account for the reduction in commission.
- (e) Many candidates provided a reasonable explanation, but some did not identify the effect on the inventory and the resultant change in the calculated profit.
- (f) Few candidates gave an answer which addressed the given situation. Many candidates provided a general answer not considering the location issue.

Question 5

- (a) This was very well answered with a high number of fully correct statements. The most common error was the miscalculation of the direct labour component for product A.
- (b) Very few candidates addressed the three objectives but rather advised the directors on the use of ABC in general terms.
- (c) Very few candidates answered the question as set with most candidates giving an advantage and a disadvantage of ABC.
- (d) This was well answered with some candidates producing a fully correct statement. The most common errors were the incorrect apportionment of the factory supervisors' salaries and accounting for the production overheads twice by reintroducing \$60 000 from **part (a)**.

- (e) Many candidates were awarded the three available marks as they provided advice along with two appropriate comments.

Question 6

- (a) Most candidates demonstrated an understanding of net cash inflow.
- (b) (i) This was well answered with a high number of candidates correctly calculating the shortfall after discounting for four years. Some then correctly divided by the year four discount factor to derive the scrap value and such answers received all of the eight available marks.
- (ii) Those candidates who had correctly calculated the scrap value resulting in zero NPV were invariably able to make this calculation correctly. A number of candidates did not attempt this question.
- (c) Most candidates identified the lower investment of option 1 but few developed their answer sufficiently to be awarded the second mark.
- (d) The majority of candidates received one mark for a general identification but as for **part (c)** few developed their answer.
- (e) This was not well answered with few appropriate points to explain the differentiation between the two terms.
- (f) There were a limited number of excellent responses which were awarded five marks but the majority tended to give a generic response rather than applying the given information.

ACCOUNTING

Paper 9706/33 Structured Questions

General comments

Overall performance was very good. **Questions 1** and **5** were the best answered on the paper and **Question 4** was the least well answered.

Comments on specific questions

Question 1

- (a) There were a reasonable number of correct accounts. A few candidates did not adjust for the bought in goods.
- (b) Most candidates identified the reasons for the change but only a limited number provided sufficient development to be awarded the second available mark for each reason.
- (c) (i) The manufacturing account was prepared to a high standard with some fully correct accounts. The most common errors were the omission or incorrect treatment of carriage inwards and the omission of the work in progress.
(ii) Likewise, the income statement was well prepared with some fully correct statements. The most common errors were the omission or incorrect treatment of the factory profit and/or the increase in the provision for unrealised profit.

Question 2

- (a) Although most candidates demonstrated knowledge of income gearing few could explain the reason for concern of a high value.
- (b) There were many correct calculations with the most common error being the failure to apply the income gearing policy to determine the maximum interest which could be paid.
- (c) This calculation was also performed correctly by a significant number of candidates. The most common error was not accounting for the dividend correctly.
- (d) There were relatively few correct calculations of the gearing ratio on the two dates. Some candidates omitted the bank loan from the denominator when calculating the ratio on 31 December 2022.
- (e) Nearly all candidates provided the required advice and most gave a number of valid points to justify their decision.

Question 3

- (a) The account was prepared to a high standard with many fully correct accounts and no common errors.
- (b) The journal entry and associated narrative was also well prepared with many candidates being awarded five marks. A limited number omitted the narrative.

- (c) This was answered to a reasonable standard with most candidates providing appropriate calculations which showed the correct inventory valuations for the two agents and the consequent effect on Julia's inventory valuation.
- (d) Although there were some correct explanations a significant number of candidates were unable to apply their work to explain the effect on profit.
- (e) This was well answered with many candidates able to complete the table correctly and no common errors.

Question 4

- (a) Performance was mixed with some candidates readily able to state how a recoverable amount is determined but some showing a lack of knowledge of the topic.
- (b) Some candidates made the calculation correctly. A common error among weaker responses was using an incorrect carrying value as a result of the miscalculation of depreciation.
- (c) Most candidates demonstrated an understanding of IAS 10.
- (d) There were very few fully correct statements and a range of errors and omissions. Few candidates included goodwill and/or the premises taken over in the statement but most did enter fixtures and fittings and vehicles correctly.
- (e) There were some correct calculations of the revaluation reserve but many candidates did not account for the depreciation for the nine months to the date of the revaluation and consequently provided an incorrect value for the reserve.
- (f) Most candidates were aware that there would be no effect.
- (g) A high number of candidates gave the required advice and provided appropriate comments as justification.

Question 5

- (a) This was well answered with a high number of candidates able to state two advantages and two disadvantages.
- (b) Likewise, this was well answered with many candidates able to state the correct budgets.
- (c) The cash budget was prepared well with a significant number of fully correct budgets. Layout was generally fully acceptable and there were no common errors.
- (d) Nearly all candidates provided the advice and most provided two valid points of justification which resulted in many candidates being awarded all of the three available marks.

Question 6

- (a) Most candidates completed the given table correctly in most aspects with a limited number of candidates providing fully correct calculations. The most common errors were the omission of the initial price difference and/or the sale proceeds difference at the end of year three.
- (b) Most candidates were able to gain the mark for the adjustment using their answer to **part (a)**.
- (c) This calculation was less well answered with many candidates not accounting for the year three discounting of the sale proceeds.
- (d) A high number of candidates calculated the accounting rate of return correctly with the most common error being the incorrect derivation of the average investment.
- (e) Most candidates gave the required advice and the majority provided adequate justification.
- (f) Virtually all candidates were able to state another method of investment appraisal.