

ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

- With simple narrative questions, take care to consider carefully the various possible definitions relevant to the topic
- Read the question carefully to be clear about what is being asked
- With questions where there are 'increase/decrease' or 'over/under' answers take care with what is being asked and consider carefully the relevant debits and credits

General comments

Of the candidates who sat this examination, 47 per cent achieved a score of 15 or more correct answers. The mean score was 15 marks. **Questions 1, 2, 20 and 26** proved straightforward with 70 per cent or more of candidates identifying the correct key. The questions that proved more challenging have been considered below.

Comments on specific questions

Question 11

Candidates found this question difficult as only 18 per cent identified the key **A**. Distractors **B** (32 per cent) and **D** (27 per cent) used the term 'increase' whilst key **A** and the distractor **C** (22 per cent) used the term 'decrease'. Provision in year 1 was \$3200 (5 per cent of 64000). In year 2 it should have been \$4000. However, it was not adjusted in year 2 and was taken as \$3200. In year 3, the provision was \$4500. As provision in year 2 was not adjusted, the increase in provision in year 3 was calculated as $\$4500 - \$3200 =$

\$1300 rather than \$4500 - \$4000 = \$500. Therefore, a higher amount of provision adjustment (deduction) of \$1300 rather than \$500 was made in the year 3 income statement. Therefore year 3 profit in the books decreased by \$800 than the actual real profit.

Question 18

This was not a difficult question but 50 per cent of candidates opted for distractor **A** by muddling how increases in receivables and payables affect the cashflow statement. Their calculation of an outflow of \$8 000 (6 000 – 4 000 – 10 000) was incorrect as it should be an outflow of \$12 000 ((6 000) + 4 000 – 10 000) = key **C**.

Question 23

Only 12 per cent of candidates chose the correct key **D**. Distractor **A** (semi-variable costs) was ignored by virtually everyone. Distractor **B** (variable costs) was chosen by 32 per cent and distractor **C** chosen by 52 per cent.

ACCOUNTING

Paper 9706/12
Multiple Choice

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

Key messages

- Be careful with questions involving the acquisition and disposal of non-current assets paying close attention to and taking account of the relevant years.
- Read the question carefully to be clear about what information is important and what might be irrelevant
- Be alert for questions that do not necessarily ask for items that are familiar.

General comments

Of the candidates who sat this examination, 45 per cent achieved a score of 14 or more correct answers. The mean score was 14 marks. **Questions 9, 14 and 21** proved straightforward with 70 per cent or more of candidates identifying the correct key. The questions that proved more challenging have been considered below. Owing to an issue with **Question 16**, it was disregarded when determining the candidates' scores on this paper, which were then adjusted so that they were not disadvantaged.

Comments on specific questions

Question 4

This proved to be a challenging question where 28 per cent opted for the correct key (**D**) while 36 per cent opted for distractor **B**. However, the latter only accounted for the depreciation in 2021 rather than going back one further year to 2020, the year of acquisition where (according to the question) a full year's depreciation was charged. Thus the net book value had to be grossed up twice to calculate \$32 000 = key **D**.

Question 8

This was not a particularly demanding question but 24 per cent of the candidates were confused by the long-term loan and opted for distractor **A** (incorrect). The loan is a 'red herring' as it would increase long-term liabilities by \$10 000 but would also increase cash (or reduce an overdraft). Thus there is no effect on total net assets. Using items 2 and 3 from the question gives a reduction of \$35 000 and an answer of \$565 000 = key **B**.

Question 17

Statistically showing as challenging, this was a simple narrative question where 51 per cent of candidates opted for key **C** (incorrect). Had the question been about dividends paid, then they would have been correct to identify the statement of changes in equity. However, the question was about dividends received and candidates therefore needed to consider where this income would be shown. The correct answer is the income statement that 23 per cent identified. So the key was **A**.

Question 24

The challenge with this question was to select the appropriate basis of apportionment. 48 per cent of the candidates opted to apportion on the basis of the number of machines and chose distractor **C** (incorrect). This is not the preferred method given that an insurance premium is usually based on value. 22 per cent of candidates opted for the correct key **A**.

Question 28

Another question that candidates found difficult to solve. Options were chosen in roughly equal proportions: **A** (21 per cent), **B** (25 per cent), **C** (27 per cent) and **D** (25 per cent). Applying the original contribution ratio to sales to the new sales figure resulted in **C** being derived (incorrect). Candidates needed to apply the original variable cost per unit to their new units to derive a profit of \$44 000, i.e. a decrease of 26.67 per cent = key **D**.

ACCOUNTING

Paper 9706/13
Multiple Choice

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

Key message

- Read the question carefully to be clear about what is being asked
- In questions featuring adjustments, take care to consider the accounting entries as not all of the adjustments may be relevant

General comments

Of the 148 candidates who sat this examination, 57 per cent achieved a score of 15 or more correct answers. The mean score was 16 marks. **Questions 9, 12, 18, and 27** proved straightforward with 70 per cent or more of candidates identifying the correct key. No question caused serious difficulty although candidates had some issues with the three questions discussed below. Owing to an issue with **Question 8**, it was disregarded when determining the candidates' scores on this paper, which were then adjusted so that they were not disadvantaged.

Comments on specific questions

Question 6

Roughly equal proportions chose options **A** (28 per cent), **B** (30 per cent) and **C** (26 per cent). Distractor **A** deducted both items from both opening figures (incorrect). Distractor **C** deducted the credit note from the control account figure and the discounts from the ledger balances (incorrect). The credit note had been omitted from the books, and so needed to be deducted from both figures. Individual discounts in the cash

book would have been posted to individual suppliers but the control account figure would be wrong – hence it needed to be deducted from the control account figure. The solution of 7120 and 6760 is key **B**.

Question 22

This question caused difficulty for some candidates, as 41 per cent opted for distractor **A** (incorrect) compared to 30 per cent for key **D** (correct). All the items in row **A** are clearly direct costs and the question asks candidates to consider production overheads. Rows **B** and **C** contain a mixture of direct and indirect costs but row **D** contains only indirect costs and is therefore the correct answer.

Question 26

53 per cent of candidates opted for **C** (incorrect). 34 per cent opted for the correct key **B**, realising that since profit was reduced, the cost of sales had increased. This would happen if units sold were more than the units produced. As options **B** and **C** were very similar, candidates needed to consider each carefully.

ACCOUNTING

Paper 9706/21 Structured Questions

Key messages

Marks are awarded for the correct entry, this being the correct value with the correct label. There were frequent cases of correct values being presented but with an incorrect label and in some cases with no label. This was particularly evident for ledger accounts and journals.

When a question gives a scenario with two options, then candidates should respond with comments on both options. Frequently candidates responded with comments on their chosen option only. This will not gain the maximum marks allocated to the question. In addition, there were frequent cases of candidates repeating information given in the question. Development of the information given in the question is necessary for marks to be awarded.

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

Candidates need to carefully read the details of question requirements and answer the question asked, rather than what they would have liked to have been asked.

Comments on specific questions

Question 1

- (a) There were very few completely correct income statements. Most candidates correctly deducted returns inwards from revenue, although some made an adjustment to the cost of sales. There were few correct adjustments for the closing inventory and frequently the value before the adjustment for damaged goods was used. Whilst few candidates correctly calculated the administrative expenses and distribution costs, most did gain marks for some adjustments. Within administrative expenses the rent prepaid was often incorrectly calculated and frequently candidates deducted \$1800 rather than \$1200. The increase in provision for doubtful debts was correctly calculated by many candidates, although some entered the new provision rather than the increase. Depreciation for office equipment was frequently correctly calculated. Some candidates deducted the irrecoverable debt rather than adding it. Within distribution costs most candidates correctly added the \$850 owing, however some deducted it in error. The depreciation for motor vehicles was frequently omitted or entered in error as an administrative expense. Very few candidates entered the correct finance costs with the amount given in the list of balances of \$1800 used rather than being adjusted for the amount unpaid.
- (b) There were few completely correct presentations for the statement of financial position. Some candidates did not show a sub-total for non-current assets. Few candidates made the correct entry for trade and other receivables. Frequently trade receivables was not adjusted for the irrecoverable debt and many omitted the \$1200 rent prepaid. Some candidates entered separate entries for retained earnings rather than one total value. Most candidates correctly entered debentures under non-current liabilities although some incorrectly entered under current liabilities. Trade payables and the bank overdraft were usually correctly entered under current liabilities, but few included the debenture interest owing.

- (c) Most candidates made some valid points on whether or not to make a rights issue. Few candidates commented that the full rights issue would raise the \$60 000 to repay the debentures. Frequently candidates did correctly comment that the rights issue might not be fully subscribed and the issue would avoid the payment of interest. Few candidates commented that payment of dividends on ordinary shares is discretionary. Nearly all candidates made a decision on whether or not to repay the debentures.

Question 2

- (a) There were very few completely correct responses. The marks in each ledger account were awarded for the correct value with correct label. Frequently labels were not shown as the account where the double entry would be found. In the delivery vehicles – cost account many made a debit entry bank \$26 000 rather than showing bank \$14 500 and disposal \$11 500. Of those who showed the correct split many labelled disposal as part-exchange. Most candidates did show a balance b/d. In the delivery vehicles – provision for depreciation account very few correctly calculated the depreciation on the disposal and did not consider the period for which depreciation applied. The charge for the year again did not consider the period for which each delivery vehicle would have a depreciation charge. Very few used the correct labels in the disposal account and the label for delivery vehicles was often entered as cost.
- (b) The matching and prudence concepts were correctly identified and explained by many candidates. A few candidates did state other concepts which were not relevant to depreciation.
- (c) Many candidates correctly explained the difference between capital expenditure and revenue expenditure. Some candidates referred to capital expenditure as expenditure on assets rather than specifying non-current assets. A few candidates reversed answers stating capital expenditure was on day to day running costs and revenue expenditure was expenditure on non-current assets.
- (d) There were very few correct examples of a capital receipt and many candidates incorrectly responded with examples relating to the purchase of a non-current asset. Similarly, there were very few correct examples of a revenue receipt and many candidates incorrectly responded with examples of income statement expenses.

Question 3

- (a) There were very few completely correct responses. The marks for each journal were awarded for the correct value with the correct label. Some candidates calculated dividend based on shares being \$1.00 each rather than the \$0.50 stated in the question. Frequently retained earnings was used as the label instead of bank in journals 1 to 3. There were frequent cases of entries being reversed.
- (b) Many candidates presented some valid reasons for why a company may make a bonus issue of shares. Frequently the candidate correctly referred to a bonus issue being made in place of cash/dividends when there was a need to preserve cash. Some candidates incorrectly referred to bonus issues as a source of cash.
- (c) Frequently candidates correctly responded that preference shareholders would receive priority in dividend payment over ordinary shareholders and they received a fixed dividend. Some, however, did not relate to dividend and others related to interest. Many candidates correctly stated there would not be any voting rights.

Question 4

- (a) Fixed and variable costs were well explained by many candidates. Some candidates did not link to the relationship with activity. Whilst there were many correct responses for semi-variable costs some candidates did not refer to both fixed and variable costs in their responses.
- (b) The question requirements were to show the total contribution and the total profit. Whilst many followed these requirements too frequently candidates presented calculations for each product and did not show totals. Some candidates calculated total contribution but did not deduct fixed overheads to show the total profit.

- (c) The requirement was to calculate the material needed to meet maximum demand. Whilst this was correctly calculated by many candidates, some calculated the material to make one unit of each product.
- (d) Those candidates who used the contribution per unit over the limiting factor to show priority usually gained high marks. Some candidates presented calculations with priority based on the contribution per unit and omitted to take the limiting factor into account. A few candidates did make rounding errors in calculations. Some candidates presented calculations for each product and did not follow the question requirements to show the maximum contribution and maximum profit.
- (e) Frequently candidates repeated information from the question without development. Most responses focused on Mandeep purchasing from the overseas supplier and few candidates commented on the implications if Mandeep did not purchase from the overseas supplier. Some candidates did not make a decision.
- (f) A few candidates did not attempt this question. Those who did attempt the question frequently calculated the correct total cost but then added 20 per cent to the cost rather than 25 per cent. Frequently there was confusion between mark-up and margin.
- (g) Many candidates presented valid responses on the benefits of preparing budgets. Frequently planning and motivating employees were frequent responses.
- (h) Many candidates presented valid responses on the limitations of budgetary control. Frequently reference to estimates and a restriction on innovation were frequent responses.

ACCOUNTING

Paper 9706/22 Structured Questions

Key messages

The following key messages have been repeated from previous sittings of this examination and are included to help candidates gain better marks. They are equally relevant and applicable today as when they were first introduced.

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates will not get any credit.
- In written questions, candidates should make sure that they provide sufficient development to their answers. 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, total assets and total equity and liabilities, 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

There has been a vast improvement in answers to written questions. There were some scripts of a very high standard.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

- (a) The question required candidates to prepare a journal entry to record the bonus issue of shares. Overall, responses were poor. Many candidates failed to head up columns Debit and Credit and consequently did not get credit. Most candidates correctly utilised the share premium account but many incorrectly posted the remaining \$600 to the revaluation reserve rather than retained earnings.
- (b) Candidates were required to calculate the net book value of plant and machinery at the end of the year after taking account of a part exchange transaction and depreciation. Whilst some candidates correctly dealt with the addition and disposal entries, calculation of the depreciation was often completely ignored.
- (c) The question required candidates to calculate the updated balance of cash and cash equivalents. There were many items excluded by candidates, the most common being to omit the dividend payment.
- (d) This required candidates to update the balance of retained earnings. As was the case with earlier tasks, very few candidates were able to gain full marks with many failing to take account of the bonus issue of shares.

- (e) Candidates were required to prepare the statement of financial position. Well prepared candidates were able to gain good marks for the task allowing for own figures from the previous tasks, but others found the task challenging. The standard of presentation was very mixed, in particular in respect of correct labelling of items. This is a very important part of preparing limited company financial statements.
- (f) The question asked candidates to explain two differences between capital reserves and revenue reserves. This was well answered by many candidates. A minority however had clearly not read the question and distinguished between capital expenditure and revenue expenditure.
- (g) The question required candidates to explain one accounting concept applied when making a provision for doubtful debts. Most candidates chose prudence and followed this with a good explanation. Those who chose the matching/accruals concept had difficulty offering a valid explanation.

Question 2

The second question focussed on a sales ledger control account.

- (a) The question required candidates to prepare the updated sales ledger control account taking account of errors and omissions. Whilst a significant number of entries were arithmetically correct, many candidates were penalised for either incorrect or missing labels.
- (b) Candidates were required to prepare an amended total of customer account balance to agree with the balance of the control account. There were only two entries that affected the customer account balance but very few candidates gained full marks.
- (c) The question asked candidates to state one limitation of preparing a control account. This was not well answered. Whilst several candidates correctly stated the fact that not all types of error would be identified, less well-prepared candidates felt that the process was time consuming – this was not rewarded.
- (d) Candidates were required to explain why a control account would help in the prevention of fraud. Most answers were lacking in sufficient development to gain both available marks. Candidates who identified segregation of duties gained the first mark though development of the point was often missing.

Question 3

The question concerned accounting ratios for a limited company.

- (a) This required candidates to state the formula for two efficiency ratios and then to calculate the ratio from the limited company data provided. Most candidates stated the correct formula for trade receivables turnover (days), though several did not correctly use credit sales, choosing sales or revenue instead. Calculations were generally correct. Candidate made similar errors in the formula for trade payables turnover (days).
- (b) This followed the same process for two liquidity ratios. The formula for current ratio was correctly stated by almost all candidate though several omitted the loan in their calculation of current liabilities. The liquid (acid test) ratio followed a similar pattern with the majority of candidates stating the correct formula before making calculation errors.
- (c) Candidates were required to advise the directors whether or not they should be satisfied with the results. There were several excellent responses to this written task with many candidates gaining four of five marks.
- (d) This question asked candidates to state two limitations of using accounting ratios to compare the results of two businesses was very well answered by almost all candidates.

Question 4

The final question focussed on marginal costing and cost-volume-profit analysis.

- (a) (i) Candidates were required to calculate the budgeted total contribution. Some candidates were unable to calculate the variable cost and therefore produced an incorrect contribution. Clearly several did not recognise that a commission payment on sales would be a variable cost.
- (ii) Calculation of the budgeted total profit was however very well answered.
- (iii) Allowing for own figures in the earlier part of the question, the break-even point was frequently correct though a minority of candidates were unaware that a break-even point must always be a whole number, rounded up.
- (b) The question required candidates to state the formula for calculating the margin of safety and the vast majority gained the available mark for a correct answer.
- (c) The question required candidates to calculate the number of units that needed to be sold to achieve the target profit. Well-prepared candidates were able to gain two marks for their correct calculations. Some candidates were penalised for incorrect rounding up of the total.
- (d) The question required candidates to prepare a budgeted marginal cost statement based on the changes made in order to achieve the target profit. Most candidates were familiar with the format of a marginal cost statement and several candidates achieved high marks. The main error was in calculation of the variable selling costs.
- (e) Candidates were asked to advise the owner whether or not he should make the changes. There has been an improvement in answering questions of this nature. Candidates must offer development of points identified and this was clearly apparent in this question.
- (f) and (g) The question asked candidates first for two advantages of cost-volume-profit analysis and then two limitations of cost-volume-profit analysis. Answers to both parts were generally very poor demonstrating a lack of knowledge of the subject area.

ACCOUNTING

Paper 9706/23 Structured Questions

Key messages

The following key messages have been repeated from previous sittings of this examination and are included to help candidates. They are equally relevant and applicable today as when they were first introduced.

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates will not get any credit.
- In written questions, candidates should make sure that they provide sufficient development to their answers. 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 all financial statements must be presented in the accepted format. Labels such as gross profit, cost of sales, total assets and total equity and liabilities etc. should always be written in full and should contain no abbreviations.

General comments

There has been a vast improvement in answers to written questions. There were some scripts of a very high standard.

Comments on specific questions

Question 1

The question concerned the preparation of accounts from incomplete records.

- (a) The question required candidates to calculate from data provided, the total credit sales for the year. This required adjustment of the receipts from credit customers to take account of the opening and closing trade receivables. The task was well answered, with many candidates gaining full marks.
- (b) The task required the same process to calculate the total credit purchases for the year and this was again well answered.
- (c) The question required calculation of the total cash paid for wages during the year. Most candidates tackled the question by drawing up a cash account and were generally rewarded with three marks.
- (d) The question required calculation of the depreciation charge for the year and many candidates found this challenging. The task required a structured approach to calculate the depreciation charge. Too many candidates tried to find a short cut and failed to gain any marks.

- (e) Candidates were required to prepare the income statement for the year. Space was provided on the page for workings and those who made use of this space generally scored high marks. Clear workings are necessary for questions of this nature and failure to provide workings invariably costs candidates marks.
- (f) This required candidates to state two causes of depreciation of non-current assets and most candidates were able to gain the two available marks.
- (g) Candidates were required to explain two treatments with reference to an accounting concept.
 - (i) The concept required was the accruals concept and the required explanation had to relate to the matching of usage with the revenue earned from the non-current asset. Candidates who offered a generic definition of the accruals concept were not rewarded.
 - (ii) In this case, the concept was prudence and once again, the explanation had to be relevant to the damaged inventory to be rewarded.

Overall, answers to both of these tasks were not answered well and simply lacked the necessary focus to be rewarded.
- (h) This required candidates to advise the business owner whether or not he should maintain a full set of accounting records. There were several very good responses to this task. Well prepared candidates were able to identify and develop both advantages and disadvantages and come to sound advice.

Question 2

The second question focussed on partnership accounts.

- (a) Having been informed that the two existing partners were to admit a third partner into the business, candidates were asked to prepare the partners' capital accounts following the admission of the new partner. Most candidates were able to correctly account for the goodwill involved, but only some were able to correctly deal with the revaluation property and obsolete inventory.
- (b) Candidates were then asked to prepare the partnership statement of financial position following the admission of the new partner. Presentation of the statement was often poor. Some candidates use abbreviations for labels and abbreviations in financial statements are never acceptable. Better candidates were able to gain good marks, though others failed to cope with the need to produce a standard financial statement. Candidates would be well advised to remember that correct labels are very important in any financial statement.
- (c) Candidates were required to state one advantage to both a partner and to the partnership of allowing interest on capital. Though there were several good answers, many candidates did not attempt the question.
- (d) This required candidates to explain one reason why a partnership may charge interest on drawings. Whilst many candidates were able to identify a good reason, their development of the point was often insufficient to be awarded the second mark.

Question 3

The question concerned aspects of the financial statement of a limited company.

- (a) Candidates were asked to explain the meaning of 8 per cent debentures (2025–2026). Most candidates correctly identified this as a long term loan, though often did not state that the interest was a fixed rate of 8 per cent. Some candidates felt that the interest only was repayable between 2025 and 2026.

- (b) The question required candidates to prepare the statement of changes in equity for the company. Well prepared candidates were often able to gain full marks though others found the task challenging. Some candidates failed to include the profit for the year in the statement.
- (c) Candidates were asked to explain why proposed dividends are not shown in the statement of financial position. This produced very mixed responses. Whilst many recognised that they would be shown as a note to the accounts only very few offered a valid explanation as to why that is the case.

Question 4

The final question focussed on absorption costing.

- (a) The first task required candidates to prepare a statement showing the apportionment of service department overheads. The majority of candidates were familiar with the technique and only a small minority did not gain good marks.
- (b) Candidates then had to calculate the overhead absorption rate for each production department. Based on their own figures, most performed well, though some did not identify either per labour hour or per machine hour. Candidates must be careful to read the question as the rate was required to two decimal places and not all candidates followed this instruction.
- (c) The question 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. Some candidates could not differentiate between over and under absorption.
- (d) Candidates were asked to state two reasons why a business may under-absorb overheads. Responses were often very vague and frequently mixed up.
- (e) Given the total budgeted direct labour cost candidates were required to calculate the budgeted hourly direct labour rate for the production departments. Many candidates did not access the data at the start of the question and used an incorrect number of budgeted direct labour hours.
- (f) 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. Some candidates still do not understand how to include in the selling price overheads based on the calculated overhead absorption rates.
- (g) Candidates were asked to explain why a business apportions service department costs to production departments. This was frequently not attempted though well prepared candidates were able to offer a good, well developed explanation.
- (h) The question 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. However, most candidates did finish their answer by offering advice as required.

ACCOUNTING

Paper 9706/31 Structured Questions

General comments

Performance was generally acceptable with **Question 1** being the best answered question on the paper.

Comments on specific questions

Question 1

- (a) The manufacturing account was prepared to a high standard with a few fully correct accounts. Some entries were placed in an incorrect section and some candidates omitted carriage inwards.
- (b) The income statement was also well prepared but there were fewer fully correct answers. Errors included the incorrect treatment of production cost and the incorrect calculation of the finance cost. A few candidates failed to add the factory profit and/or deduct the increase in the provision for unrealised profit.
- (c) Some candidates calculated the floor area correctly and there were no common incorrect answers.
- (d) Many candidates named the correct section.
- (e) The discussion was well answered with many candidates providing three valid points with the consequent award of three marks.

Question 2

- (a) The statement of financial position was presented with a range of errors from most candidates with very few receiving half of the available marks. Very few candidates made the required impairment losses adjustment and there were relatively few correct postings for trade receivables. Many candidates did not account for the share premium and although most attempted to adjust the retained earnings there were very few fully correct postings. Very few candidates split the bank loan between non-current liabilities and current liabilities.
- (b) Many candidates stated correctly which event was adjusting and which was non-adjusting.
- (c) Few candidates were able to state a possible reason for revaluation with hardly any developing their answer to receive the second mark.
- (d) This was well answered with most candidates giving the required advice and many justifying their answer satisfactorily often with the use of an accounting concept.

Question 3

- (a) This was not well answered with a high number of candidates just writing a formula.
- (b) This was answered to a reasonable standard with most candidates identifying the relevant ratios and some providing a very good explanation.
- (c) Most candidates demonstrated their knowledge of the required ratios with some fully correct answers being awarded twelve marks. The ratio which caused the most difficulty was dividend yield

and this was usually due to lack of knowledge of the formula. A limited number of candidates were penalised as they did not present their answers to two decimal places.

- (d) The discussion of the changes in the ratios was not well answered. Few candidates considered both the numerator and denominator of the ratios when analysing the changes and consequently the award of marks for this question was low.
- (e) The explanation was not well answered with few candidates providing any relevant points.

Question 4

- (a) Although there were very few fully correct calculations most candidates did account for some of the components and were credited accordingly. A common error was the incorrect inclusion of the members transferring to life membership.
- (b) The subscription account was well prepared with some fully correct accounts. The most common errors were the omission of the irrecoverable debt and the reversal of the opening and/or closing balances.
- (c) Some candidates were able to make the life membership calculations without errors with a higher number calculating the fees for the income and expenditure account correctly.
- (d) A high number of candidates were able to suggest two relevant sources of income.
- (e) Nearly all candidates gave the required advice and the justification was invariably acceptable with some candidates receiving five marks. Weaker answers tended to repeat points.

Question 5

- (a) Very few candidates were able to give a valid explanation with hardly any mentioning discounting.
- (b) The table was generally well prepared with some being fully correct and no common errors.
- (c) There were some correct NPV calculations but a significant number of candidates did not discount the total changes in costs and some failed to adjust their increased NPV with the existing NPV.
- (d) Most candidates gave the required advice along with two valid points so a common award was three marks but very few provided the extra points to receive all five available marks.
- (e) There were very few correct calculations and it was rare to see the revised NPV converted backwards by using the year four discount factor.
- (f) Most candidates demonstrated their knowledge and understanding of the internal rate of return and the explanations were generally reasonable.

Question 6

- (a) Some candidates calculated the overhead absorption rate correctly but there were also many incorrect answers. Most candidates then accounted correctly for the direct costs but few calculated the fixed overhead cost correctly and consequently there were few correct total standard cost calculations.
- (b) The reconciliation statement was not well prepared with hardly any fully correct statements being submitted. Many candidates ignored the instruction to include two direct material, two direct labour and two fixed overhead variances and some made variance calculations without attempting the reconciliation.
- (c) Nearly all candidates provided the required advice but few gave more than two valid points of justification.
- (d) Many candidates understood the difference between a fixed and a flexed budget but fewer were able to state a reason for preparing a flexed budget.

ACCOUNTING

Paper 9706/32 Structured Questions

General comments

Candidate performance was reasonable generally in line with previous examinations. **Question 6** was the best answered question on the paper.

Comments on specific questions

Question 1

- (a) The profit on the joint venture was correctly calculated by relatively few candidates with a range of errors including the incorrect treatment of the fittings and the inclusion of the capital. There were also few fully correct calculations of the final balances paid with many candidates omitting the capital and / or profit.
- (b) The joint venture bank account was prepared to a reasonable standard with some fully correct accounts. The most common errors were the reversal of entries and the omission of the opening capital brought in by Ajlal and Daneen.
- (c) The discussion of the profit-sharing ratio was not well answered with many candidates giving too vague a response in relation to the scenario to be awarded marks.
- (d) This was very well answered with a high number of candidates giving a decision and justifying it with three appropriate points and it was rare for less than three marks to be awarded.
- (e) Although many candidates identified a limited company hardly any provided the required explanation.
- (f) This was not well answered with many candidates apparently believing that an unqualified report was a negative outcome.

Question 2

- (a) The three ledger accounts were not prepared to a high standard with few candidates demonstrating the required knowledge. Common errors included reversal of entries and incorrect labelling.
- (b) The statement of financial position was well prepared with a few fully correct statements. Common errors included the omission of goodwill and the incorrect treatment or omission of share premium.
- (c) Most candidates gave the required advice but very few made the comparison between the dividend and the interest which could be earned.
- (d) Many candidates provided a definition of stewardship. However, only a few developed their answer to consider the business purchase.

Question 3

- (a) The draft income statement was well prepared with a significant number of fully correct statements. Nearly all candidates derived the cost of sales and then most calculated the revenue correctly. Some candidates then made errors in the derivation of the expenses and finance cost.

- (b) Many candidates correctly identified the two required items. The explanations of the reasons for the treatment were less satisfactory. Although a limited number of candidates did state that the items were examples of a contingent liability and a non-adjusting event the explanations were generally weak.
- (c) Few candidates could state what is meant by a 'contingent asset' with many apparently confusing it with an intangible asset.
- (d) The calculation was well answered and although there were few fully correct answers. The most common errors were the incorrect treatment of the sale or return item and the inclusion of the revaluation.
- (e) The journal was not well prepared with some candidates not giving their answer in the correct format. Labelling and the narration were often incorrect.
- (f) This was well answered by many candidates. The most common error was to add the sale or return item instead of subtracting it from the draft trade receivables.

Question 4

- (a) Few candidates prepared the accounts correctly. Errors included reversal of entries, applying the calculations to units rather than values and failing to bring the closing balance down to the next year.
- (b) The completion of the table was answered to a reasonable standard, but the description and position of the entries were often unclear.
- (c) This was well answered with a high number of candidates naming two correct costs.
- (d) Very few candidates provided relevant points. Although many did discuss the bonuses, hardly any identified that there would be no effect on the total profit for the year.

Question 5

- (a) Although many candidates calculated the basic pay correctly relatively few dealt with the overtime appropriately. There were therefore few fully correct labour wages budgets.
- (b) There were many fully correct entries relating to sales although some candidates made entries in an incorrect month. The problems experienced by candidates in **part (a)** were often brought forward when entering labour costs in the cash budget. There were very few fully correct cash budgets submitted.
- (c) Many candidates stated the advantages of preparing a budget rather than a cash budget.
- (d) Although most candidates gained the mark for the advice there were very few valid points to justify the advice.
- (e) Some candidates did name the master budget but hardly any named two correct budgets.

Question 6

- (a) The explanation was well answered with a high number of candidates being awarded both available marks.
- (b) The calculation was very well answered. Common errors included not rounding answers and/or the incorrect application of the mark-up.
- (c) This was also well answered with a significant number of correct calculations. Some candidates making the calculation on a total basis divided by 4500 rather than the new production of 9000.
- (d) Performance was variable but, overall, it was reasonable with nearly all candidates giving the required advice and then most providing some acceptable justification points.

ACCOUNTING

Paper 9706/33 Structured Questions

General comments

Overall candidates performance was reasonable. **Questions 1** and **6** were the best answered questions on the paper and **Question 4** was the least well answered.

Comments on specific questions

Question 1

- (a) Both the income statement and the statement of financial position were prepared to a high standard with many fully correct submissions. The most common errors in the income statement were the incorrect treatment of the opening and closing subscriptions balances and the omission of the irrecoverable debt. There were no common errors in the statement of financial position.
- (b) Nearly all candidates gave the required advice. Most candidates supported their advice with at least one valid point of justification and some gave two valid points and were rewarded with the three available marks.
- (c) Most candidates demonstrated their knowledge of life membership but some did not state the relevant accounting concept.

Question 2

- (a) This was the least well answered question part on the paper and few candidates had sufficient knowledge of IAS 38 to gain any credit.
- (b)(i) There were many correct calculations for AB plc with no common errors. The calculations for CD plc and EF plc were less well answered with many candidates not accounting correctly for the depreciation of the product and amortisation of the patent. Some candidates did not calculate the number of shares correctly for the latter two companies and a few failed to give their answer to the nearest whole cent.
- (ii) The price earnings ratio calculations were well answered with many candidates being awarded three marks. A few candidates failed to give their answer to two decimal places.
- (c) Nearly all candidates stated two appropriate ratios.
- (d) Nearly all candidates provided the required advice and most justified their answer satisfactorily.
- (e) Most candidates provided a reasonable explanation.
- (f) Candidates demonstrated their knowledge of the contents of the report with a high number stating one correct matter and some stating two matters worthy of credit.

Question 3

- (a) Many candidates suggested one appropriate reason with some providing a valid second reason.
- (b) The forecast income statement was very well prepared with many fully correct statements. Some candidates provided incorrect calculation of the administrative expenses.

- (c) The forecast capital accounts were well prepared with some fully correct accounts. Some candidates did not treat the goodwill correctly. Some candidates reversed the entries while some failed to account for the revaluation of the non-current assets.
- (d) Many candidates were able to state one advantage and some did state two appropriate advantages.
- (e) This was very well answered with nearly all candidates giving the required advice and a high number justifying their answer to a sufficiently high standard to receive three marks.

Question 4

- (a) Although there were few candidates who were able to provide three valid reasons, there were many who gave two reasons and overall knowledge was acceptable.
- (b) Performance was variable ranging from a fully correct statement to a list of items not shown in the required IAS 7 format. Few candidates were able to derive the increase in trade receivables and the decrease in trade payables. Marks were often lost for placing items in the incorrect section of the statement and for not totalling and labelling the net cash from operating, investing and financing activities.

Question 5

- (a) A high number of candidates calculated the variances correctly. The least errors were made on the sales volume variance calculation and the most errors were made on the material usage variance calculation.
- (b) The discussion of the changes in the variances was well answered with many candidates being awarded eight marks and no common errors.
- (c) Most candidates gave the required advice and the justification was generally acceptable but few candidates were awarded full marks as there was often little consideration of the down side of the decision.
- (d) Although most candidates stated one appropriate reason few were able to state two reasons.

Question 6

- (a) Some candidates stated the correct term but there was also a range of incorrect answers.
- (b) The total profit calculations were made without errors by a very high number of candidates.
- (c) Likewise, the calculations were made correctly by most candidates with no common errors.
- (d) Few candidates suggested an appropriate base for apportionment with hardly any candidate providing two bases.
- (e) Most candidates gave the required advice and many justified their answer to a high standard.