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ACCOUNTING

Paper 9706/11
AS Level Multiple Choice 11

There were too few candidates for a meaningful report to be produced.

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ACCOUNTING

Paper 9706/12
AS Level Multiple Choice

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

Key messages

- Trial balance and suspense account questions test knowledge about debits and credit entries. Carefully consider the source of entries and where they would be posted.
- For questions involving bank statements and cash books, try to test your answer with a bank reconciliation as this may clarify the adjustments and opening positions.
- Regarding costing methods, be familiar with the benefits and limitations of each.

General comments

Overall performance of candidates was reasonable as 51% achieved a score of 15 or more correct answers. Questions 2 and 19 were straightforward with 78% and 91% of the candidates respectively identifying the key. Candidates found three questions challenging and there were a further three questions where more candidates chose a distractor than the key. These are considered below.

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Comments on specific questions

Question 6

Many candidates opted for distractor D. The cash account has to be a debit balance and, per the question, was overstated by $50. An understated debit balance of $50 would be required to not affect the trial balance totals. However, the balance on the purchases returns account is a credit balance so the answer cannot be **D**.

Distractor **C** was chosen by some candidates. An individual discount received would be debited to the supplier's account and the total of discounts for the period credited to the discount received account in the general ledger. If omitted, the trial balance would not balance.

Key **A** was selected by some candidates. Having entered the incorrect figure in the purchases returns journal, the error would be carried through. The individual amount would be debited to the supplier's account and the period total, of which it would be part, would be posted to the purchase ledger control account. The trial balance would balance.

Question 8

Bank reconciliation questions are often challenging. In this case, some candidates opted for distractor B. Adjusting the bank figure for the cheques received and sent, the updated bank figure would be $5858 with the bank charges already included. Choosing distractor B meant thinking that they had not been included in the cash book and so should be deducted. However, candidates needed to realise that the amended bank figure is the figure to be reconciled to. The current unreconciled bank figure would be $124 **higher** at $5982 before deducting the bank charges. The reconciled figure of $5858 (key **C)** was selected by almost one-third of the candidates.

Question 12

The new monthly rent was $1100 following the rent increase. Almost half of the candidates opted for either distractor **C** or **D** which was simply this value. The credit entries on the account were the brought forward balance of $1000 and the receipts of $13 000. It can be assumed that the receipts include the higher rent and, having paid to 31 January 2023, there is a carried forward balance of $1100. This yields an income statement figure of $12 900 that is $100 below the stated amount. Hence the key is **A**.

Question 15

Distractors **A** and **B**, containing statement 1, were correctly rejected by most candidates. Of these, the majority opted for distractor **C** and perhaps forgot that credit balances on current accounts would also represent amount owing to partners. Key **D** was chosen by 30% of the candidates.

Question 16

Key **B** was selected by less than half of the candidates. Some candidates opted for distractor **A** not recognising that the interest on the partner loan had already been deducted in arriving at the profit before appropriation.

Question 26

Many candidates chose distractor **D** suggesting that they were unaware that absorption costing is a recognised method of inventory valuation. Half of the candidates were equally split between distractor **C** and key **A**. As absorption costing recognises the fixed cost in the product cost, it is suitable for determining the selling price. Thus, all statements in the question were correct.

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ACCOUNTING

Paper 9706/13
AS Level Multiple Choice 13

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

Key messages

- Read questions carefully to make sure that specific pieces of information have been considered.
- With questions regarding adjustments and mis-postings, think carefully about what has been done and what journals would be required to correct an error.
- Regarding costing methods, be familiar with specific definitions.

General comments

More than 50% of candidates who sat this examination achieved a score of 17 or more correct answers. **Questions 1**, **10**, **17** and **27** were straightforward with a significant number of candidates identifying the key. There were no questions that caused the candidates any real difficulty but there were four questions where more candidates chose a distractor rather than the key. These are considered below.

Comments on specific questions

Question 3

Almost 50% of the candidates opted for distractor **A** and overlooked the piece of information stating that the assets included a bank balance of $1000. Thus, when the owner withdrew $2000, assets could only reduce by $1000 whilst an overdraft (liability) of $1000 would be created. The addition of $3000 of inventory and creditor balances meant that **C** was the correct answer. This was selected by approximately one-third of candidates.

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Question 13

Approximately one-third of candidates opted for either distractor **C** or the key **A**. The numerical difference of $4200 most likely involved an incorrect treatment of items 2 and 4. With item 2, whilst the amount of $2100 may have been reversed, it is possible that candidates omitted to also deduct the original $1200. Equally, with item 4, it is possible that candidates reversed the credit $3000 but omitted to then process the original $3000. The full calculation was $149 000 – $2500 – $2100 – $1200 + $5100 – $6000 = $142 300.

Question 18

85% of candidates opted for either distractor **A** or the key **C** with an equal split between them. Both answers correctly used the figure of 75 000 new ordinary shares but those candidates choosing the distractor only multiplied by the premium of $1.50 rather than $3.50 (the par value plus premium).

Question 26

Given that most definitions of a cost centre tend to describe a location whose costs may be attributed to cost units, over one-third of the candidates still opted for distractor **C** rather than the key **D.**

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ACCOUNTING

Paper 9706/21
AS Fundamentals of Accounting 21

Key messages

- 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 always provide clear workings when answering computational questions. Marks will always be awarded for valid workings.
- 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

Overall, the performance of than satisfactory and many candidates appeared to be totally unprepared for this examination.

Comments on specific questions

Question 1

The question concerned the accounts of a sole trader.

(a) Candidates were provided with details of three delivery vehicles owned by the trader, one of which was sold during the year. Candidates were required to calculate the profit or loss on the disposal. Some candidates failed to account for the correct years of ownership so calculated a profit on disposal rather than the correct loss of $1800.

(b) The question required candidates to calculate the total depreciation charge for the year. Those candidates who provided detailed workings were able to gain all three of the available marks.

(c) Candidates were required to prepare the statement of profit or loss for the year from data provided. Adjustments were required for six unaccounted for items. Whilst well-prepared candidates were able to obtain at least eleven of the twelve available marks, others found difficulty in making the necessary adjustments to the opening figures and seldom achieved more than five marks.

(d) The question asked candidates to give the importance of making an allowance for irrecoverable debts resulted. There were mixed responses. Whilst many candidates were able to identify the reason (often in rather vague terms), very few were able to offer sufficient development of their point to be awarded both marks.

(e) Candidates were required to identify two ratios which could be used to assess a business's liquidity position and most candidates correctly identified the current ratio and the acid test ratio.

(f) Candidates were required to advise the trader which option should be chosen to improve the rate of inventory turnover. The question was well answered by well-prepared candidates, most of whom

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pointed out the pros and cons of each option and subsequently reached a supported decision. Others made valid points but often failed to advise the trader as required by the question.

Question 2

The second question focused on a sales ledger control account.

(a) The question required candidates to prepare the sales ledger control account for the month from data provided. Most candidates made a good attempt at the question and gained at least half of the available marks. Candidates must be careful to enter valid details in the account – for example receipts from credit customers must be labelled 'bank', not receipts.

(b) The question asked candidates to identify the books of prime entry for discounts allowed and irrecoverable debts written off. The most common error was to assume that the sales ledger was a book of prime entry for the irrecoverable debts rather than the journal.

(c) Candidates were required to state three benefits of maintaining control accounts. Responses were very mixed and often insufficiently precise to be rewarded.

(d) Candidates were required to calculate the revised sales ledger control account balance after accounting for five errors. Only a very small minority of candidates were able to fully complete the task.

Question 3

The question concerned various aspects of the equity of a limited company.

(a) Candidates were required to state two features of revenue reserves that do not apply to capital reserves. The question was ell answered with many candidates correctly identifying the ability to pay dividends and that they arise from everyday activities of the business.

(b) Provided with data of a rights issue made by the company, candidates were required to calculate the amount raised by the share issue. Those candidates who attempted the question tended to be awarded all three marks, though some did not answer the question at all.

(c) Candidates were told that the directors had considered an alternative to the rights issue of making an issue of debentures. Asked to identify two reasons why the rights issue was preferred to debentures produced mixed responses though those who recognised that the share issue, unlike debentures, is a permanent source of finance were well rewarded.

(d) Candidates were required to calculate the total amount of a proposed interim dividend, and this was again well answered by the well-prepared candidates.

(e) Preparation of the statement of changes in equity produced generally good responses, though some omitted the profit for the year.

Question 4

The question focused on both absorption costing and marginal costing.

(a) Required candidates to show the apportionment of factory overheads and the subsequent reapportionment of service department overheads. Several candidates did not attempt an answer though candidates who did, tended to gain high marks.

(b) The question required candidates to calculate an appropriate overhead absorption rate for each of the two production departments. Whilst most candidates were able to calculate correct figures, many did not adhere to the two decimal places rule and often did not state the per machine hour or per labour hour as an essential part of their answer.

(c) In this question candidates were required to calculate the selling price to be quoted for an order in order to achieve a profit margin of 25 per cent. Whilst many candidates were able to correctly detail the various costs involved, some found difficulty in calculating the mark-up to achieve the required selling price.

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(d) Candidates were asked to state two causes of under absorption of overheads and the task was well answered by those with a good knowledge of absorption costing.

(e) Candidates were provided with data for a single product and were required to calculate the profit for the year. Many candidates had difficulty accounting for the current production level of 80 per cent of factory capacity and subsequently struggled to arrive at a correct answer.

(f) Candidates were provided with data for a proposed new product to be manufactured alongside the original product and were asked to calculate the total profit for the company. Several candidates did not attempt the question and of those who did, many produced very confused and mostly incorrect responses.

(g) Candidates were required to advise the directors whether or not they should proceed with their plan to manufacture the proposed new product. Only a few candidates were able to gain more than three of the available seven marks. Answers were often very vague and lacking in sufficient focus to be rewarded. Candidates need to review past questions of this nature to understand the requirements of this subject area.

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ACCOUNTING

Paper 9706/22
AS Fundamentals of Accounting 22

Key messages

In written questions, candidates should make sure that they provide sufficient development to their answers. One- or two-word answers will seldom suffice. This is particularly important when the command word in the task is 'explain'.

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.

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. Marks will not be awarded if a candidate fails to be accurate in this respect.

General comments

There were several scripts with strong responses in this examination series. Presentation of financial statements were appropriate in many scripts. Candidates should take care about using accurate labels in financial statements which must be aligned with the up-to-date terminology.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

(a) Candidates were provided with a list of balances at the company's year end together with items that required adjustments to the balances.

Candidates were required to prepare the statement of profit or loss for the year taking account of the required adjustments. Well prepared candidates were able to gain very good marks for the question. The most common errors related to either incomplete or erroneous labels, for example, abbreviations such as COS etc. are not acceptable. In addition, only new terminology is acceptable, for example net profit is not valid – it must be profit for the year.

(b) The question required candidates to calculate the balance of retained earnings. The task was well answered by many candidates, especially those who showed good workings to calculate the adjustment for the bonus issue. The most common error was a failure to account for the dividend paid.

(c) In this question candidates were required to state one reason why a company may decide to make a bonus issue. Most candidates were awarded the one available mark for a valid reason.

(d) Candidates were asked to explain one reason why trade payables and potential lenders might approve of the company making a bonus issue. This question proved challenging for many candidates. Some failed to recognise that a bonus issue is a non-cash item and implied that the extra cash would ensure repayment of liabilities.

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(e) The question required candidates to identify three points that the directors should consider when deciding whether to pay a dividend. Responses were often very vague, but candidates who referred to the availability of cash and/or retained earnings scored high marks.

(f) Candidates were required to advise the directors which of the two options should be chosen to improve the company's liquidity. The question was generally well answered with most candidates pointing out the pros and cons of each option and subsequently reaching a supported decision.

Question 2

The second question focused on the cash book and bank reconciliation.

(a) The question required candidates to state three reasons why it is important for a business to prepare regular bank reconciliations. Whilst most recognised the benefits of identifying errors and fraud, better candidates also referenced ensuring the accuracy of the financial statements.

(b) Candidates were required to prepare the updated cash book to take account of some errors/omissions. Very few candidates were awarded full marks for the question, mostly due to incorrect labels in the cash book. It is very important for candidates to remember that this is a book of original entry, and the label must indicate to which account the entry is to be posted.

(c) Preparation of the bank reconciliation statement was not attempted well by many candidates. It was clear that many candidates had forgotten the structure of a bank reconciliation statement from their earlier studies and consequently produced a very confused statement.

(d) The question required candidates to define two terms; **(i)** unpresented cheque and **(ii)** dishonoured cheque. Whilst most candidates clearly had a good idea of the meaning of each term, they were often vague in their expression of the meaning.

Question 3

The question concerned the incomplete records of a sole trader.

(a) Candidates were provided with details of the assets and liabilities of the sole trader and were required to calculate the profit or loss of the business. There were a variety of approaches taken by candidates. Those who attempted to answer the question by producing a statement of profit or loss were generally unsuccessful. Those who took the correct approach of accounting for the closing balance of assets and liabilities were generally able to ascertain the balancing figure being the loss for the year. Overall the performance on this question was not satisfactory.

(b) Following on from the calculation of the profit or loss for the year, candidates were required to calculate the revenue for the year. Those who were able to successfully negotiate the first task, were generally able to calculate the revenue by applying the given mark-up to the cost of sales. A common error was to incorrectly apply the opening and closing inventory.

(c) Candidates were required to state two advantages to a business of maintaining a full set of accounting records. Many candidates were able to gain full marks, usually by focussing on the ability to obtain management information to assist decision making and facilitates preparation of the financial statements.

(d) Following on from the previous task, candidates were required to state two disadvantages to a business of maintaining a full set of accounting records. Most candidates gained both marks by identifying the cost and the time taken to maintain the records.

Question 4

The final question focused on both absorption costing and marginal costing.

(a) The question required candidates to define three terms. The task was not very well answered by most candidates.

(i) Many gave very vague responses without demonstrating sufficient knowledge about a cost centre.

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(ii) The key point in case of allocation of overheads was overheads can be directly attributed.

(iii) The key point in case of apportionment of overheads was those overheads that cannot be directly attributed are apportioned on a rational basis.

(b) Required the reapportionment of the service department overheads into the production departments and most candidates were able to gain both of the available marks.

(c) **(i)** and **(ii)** required candidates to calculate an appropriate overhead absorption rate for each of the two production departments. Whilst most candidates were able to calculate correct figures, many are still not adhering to the two decimal places rule and often not stating the per machine hour or per labour hour as an essential part of their answer.

(d) **(i)** and **(ii)** required candidates to calculate the under- or over-absorption of overheads for each department. There were many correct answers (based on own figures from the earlier tasks) though some confused over absorption with under absorption.

The remaining questions focused on marginal costing.

(e) Candidates were required to calculate the profit for the year. Whilst there many correct answers, some produced long calculations resulting in an incorrect final figure.

(f) Candidates were given two options that the directors could take to improve profits.

(i) Option A. Most candidates gained two of the available three marks by correctly adjusting the selling price and increasing fixed costs for the advertising campaign.

(ii) Option B was more complex but well-prepared candidates were able to account for all the criteria to gain the full six marks. The most common mistake was a failure to correctly calculate the overtime payment.

(g) Candidates were asked to advise the directors which option to choose by considering both financial and non-financial factors. Many responses lacked sufficient substance to gain more than two or three marks by repeating the content of the question but adding no evaluative content. Several well-prepared candidates met all of the required criteria and were awarded the full seven marks.

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ACCOUNTING

Paper 9706/23
AS Fundamentals of Accounting 23

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. This was particularly evident for both the statement of profit or loss and for journal entries.

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 approach does not gain the maximum marks for the question.

There were frequent instances 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.

Comments on specific questions

Question 1

(a) The prudence concept was correctly identified by many candidates. A few candidates did state other concepts which were not relevant to damaged inventory. Some candidates developed relating to profit rather than value.

(b) Whilst there were few completely correct responses, most candidates did gain marks for some of the adjustments necessary. Some candidates adjusted in the wrong direction.

(c) Very few candidates presented a completely correct statement of profit or loss for the year. Many correctly deducted sales returns from revenue although some deducted purchase returns. Within the 'trading section' some candidates omitted carriage inwards and did not show a specific entry for the goods taken for own use. Some candidates did not use their calculation from **part (b)** for the closing inventory entry. The label for gross profit was omitted by some candidates. Discounts received and discounts allowed were reversed in some cases. Whilst there were many correct entries in the 'expenses section' there was some incorrect terminology for labels particularly irrecoverable debts and allowance for irrecoverable debts. Often candidates deducted $1700 for rent rather than adding two months' rent of $3400 to give an entry of $20 400. Frequently candidates did not deduct the irrecoverable debt before calculating the allowance for irrecoverable debts. There were few correct entries for depreciation with candidates not deducting the additional new equipment of $6500 before calculating the depreciation charge on the equipment held for a full year.

(d) Many candidates stated at least one correct entry for recording goods withdrawn by an owner for personal use. Some candidates incorrectly stated purchases, owner and sales for the debit and drawings, bank and expenses for the credit.

(e) Few candidates made comment on the question reference to increase gross profit however other valid comments were made. Frequent reference was correctly made to storage and quality aspects

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for option A. Effectiveness of advertising and the impact of increasing selling price were common correct responses for option B. Some candidates responded on their chosen option only.

Question 2

(a) Many candidates stated at least one benefit of preparing a trial balance. Frequent correct responses were related to checking arithmetical accuracy of double-entry and a source of information for preparing financial statements. Some candidates omitted 'arithmetical' when relating to accuracy.

(b) Few candidates presented correct journals for all errors. Entries for error 1 (payment to the wrong account) were often reversed. The difference of $90 was often entered for error 2 (posting to wrong side) rather than the total value of $770 required for the correction. Entries for error 3 (discounts) were reversed by some candidates. Some candidates reversed the entries for error 4 (dishonoured cheque). The correct credit entry (W Limited) was often entered as customer/trade receivable rather than specifically stating W Limited.

(c) Many candidates omitted the opening credit entry required for the $700 difference. Most did make at least one correct entry for the errors. There were reversals/incorrect labels for some entries.

(d) Whilst some candidates correctly referred to an error of principle as being in the wrong class of account, some stated it as being in the wrong account only. Fewer candidates referred to the entry being the correct amount on the correct side.

Question 3

(a) Whilst there were many correct responses there were also responses worthy of few or no marks. Frequently candidates did not calculate the position before the bonus issue. Share premium and retained earnings were entered by some candidates as the original retained earnings value of $120 000. Although the total equity $1120 000 was given in the question some candidates presented a different value.

(b) Some candidates based the dividend calculation for 2021 on a share price of $1 rather than the $0.50 given in the question. The correct number of shares was frequently used for the dividend in 2022. Some candidates did not indicate the direction of the movement for the two years.

(c) Frequently candidates made valid points for capital and revenue reserves. However, many candidates did not state a difference. Some candidates responded with examples rather than the question requirement of stating differences.

(d) Many candidates responded with valid reasons on why a company might reduce total dividends payable. Frequent responses were a fall in profits and lack of liquid funds.

Question 4

(a) Few candidates correctly defined marginal cost and frequently omitted a reference to the costs incurred when producing one additional unit. Most candidates correctly defined contribution with reference to the difference between selling price and variable costs. Some candidates did not refer to break-even point as the level of output where neither a profit or a loss is made.

(b) Most candidates correctly calculated the break-even point in units and sales value.

(c) Whilst there were few completely correct responses, most candidates gained some marks for calculations. The new factory capacity and fixed costs were frequently correctly calculated, although some candidates calculated fixed costs for the full year rather than the amount for one month. Few candidates correctly calculated the new contribution and frequently did not correctly calculate the new price for direct materials. Rather than deducting the new 25 per cent trade discount from the price prior to any discount, candidates frequently deducted 25 per cent from the previous net price of $16. The current margin of safety was frequently not calculated and this meant candidates did not show the change in the margin of safety. Frequently the break-even point was **not** rounded up to the nearest whole unit.

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(d) Many candidates correctly calculated the profit for option A. Fewer candidates calculated the correct profit for option B. The contribution from existing customers was frequently based on the original quantity rather than reducing due to the demands of the new customer. The contribution for the new customer was often based on the original selling price of $26 rather than reducing to $24. Most candidates did correctly calculate the new fixed costs of $53 000 and deducted from a contribution value to gain an own figure mark for profit.

(e) This was well answered by many candidates. Most candidates were awarded marks for reference to the option with the highest profit and the capacity implications under each option. There was also frequent reference to the impact on regular customers. Some candidates repeated information from the question without giving any development. A few candidates responded on their chosen option only.

(f) A few candidates did not attempt this question. Many of those who did attempt the question correctly responded that absorption costing avoids the separation of fixed costs and variable costs. Frequent reference was made to its usefulness for setting selling prices and to being acceptable for preparing financial statements. Some candidates made a relevant point but did not subsequently develop the point.

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ACCOUNTING

Paper 9706/31
A Level Financial Accounting 31

General comments

This was the first June sitting of the new syllabus. There were three questions on the paper. Performance was good with question three being the best answered question.

Comments on specific questions

Question 1

(a) There were some correct profit calculations but also a range of incorrect answers which added extraneous items to the given residual profit.

(b) The capital accounts were prepared to a reasonable standard with a limited number of fully correct accounts. Common errors included the omission of a component of the current accounts and the omission or incorrect treatment of the trade payables discount and/or the goodwill resulting in an incorrect profit on realisation.

(c) Calculations to determine the amount paid into the bank account were reasonable with some being fully correct. Errors invariably occurred in the determination of the consideration as most candidates did deal correctly with the deduction of the debentures and shares.

(d) The preparation of the partnership account was not well answered. Some candidates omitted the trade payables and/or the payment from J Limited which had been calculated in **(c)**. There were also a few reversed entries for the two partners in relation to their capital accounts.

(e) Most candidates provided the required advice and justified their answer with up to two valid comments. It was rare to see further appropriate comments and consequently few were awarded more than three marks.

Question 2

(a) Although some candidates did state two valid points of comparisons most only provided one as their second offering was just a repeat of the first.

(b) (i) Some candidates correctly calculated the net assets and were awarded both marks. However, some just calculated the non-current assets and were awarded one mark. Few candidates incorrectly multiplied the revenue by the non-current asset turnover.

(ii) The closing retained earnings calculation was well answered with many candidates deducting the share capital and share premium from their equity. There were no common errors.

(iii) The opening retained earnings calculation was also well answered with some fully correct solutions. Most candidates correctly added the dividend paid to the opening retained earnings. The most common error was the failure to correctly derive the profit for the year.

(c) (i) The calculation of the working capital cycle was very well answered with many fully correct answers. Nearly all candidates rounded up each component as per the question requirement. A very high number of candidates calculated both the trade receivables turnover and the trade payables turnover correctly. The most common error was the miscalculation of the inventory turnover often due to the inability to calculate the cost of sales or average inventory.

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(ii) Many candidates calculated the gearing ratio correctly and there were no common errors but a limited few did not express their answer as a percentage to two decimal places.

(d) Most candidates provided the required advice, and a high number justified their answer by giving two relevant comments as to why the directors should be concerned. However, very few candidates balanced their answer by considering possible reasons why they should not be concerned.

Question 3

(a) Many candidates were awarded one mark for identifying the prudence concept but very few related its application to the inventory.

(b) The manufacturing account was very well prepared with a significant number of fully correct accounts. The most common errors were the omission of carriage inwards and the incorrect derivation of factory profit.

(c) The preparation of the statement of profit or loss was prepared to a reasonable standard but there were only a few fully correct statements. Common errors included accounting for the opening and closing finished goods inventories at cost, the omission of factory profit and the incorrect treatment of the increase in provision for unrealised profit.

(d) Most candidates demonstrated knowledge of the importance of the opinion with a few being awarded three marks and nearly all receiving some credit.

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ACCOUNTING

Paper 9706/32
A Level Financial Accounting 32

General comments

This was the first June examination for the new syllabus and there were three questions on the paper.

Overall performance was generally acceptable with question one being the best answered question.

Comments on specific questions

Question 1

(a) The café account was prepared to a good standard with generally acceptable layout and presentation and some fully correct accounts. Common errors included the failure to add back wages resulting in an incorrect revenue figure and the miscalculation of the café equipment depreciation.

(b) The preparation of the income and expenditure account was also well answered with candidates who had performed well on **part (a)** invariably scoring well on **part (b)**. A high number of candidates calculated the subscription income correctly and the most common error was the omission of the loss on the sale of club equipment.

(c) The preparation of a statement showing the movement in the accumulated fund for the year was not answered well and there were very few fully correct statements. A significant number of candidates did not attempt the question. Many candidates did not account for the opening bank balance and/or the deduction of the life membership balances when attempting to derive the opening accumulated fund balance. However, most candidates did add their surplus to this balance to arrive at a closing accumulated fund balance.

(d) Nearly all candidates provided the required advice. Most candidates justified their decision with a range of valid points including security and chargeable rate of interest. Some candidates erroneously brought shareholders and dilution of control into their answer.

Question 2

(a) This question was not well answered. A limited number of candidates identified the relevant standard but very few calculated the depreciation that should have been charged or stated that there was a change in accounting policy.

(b) This question was also not answered well with hardly any candidate adding the prior period adjustment. Although many candidates knew that the final and interim dividends had to be added back, relatively few calculated these dividends correctly.

(c) The statement of cash flows was prepared to a reasonable standard. Presentation and layout were generally good with most candidates demonstrating their knowledge of IAS7 and placing the entries in the correct section. Very few candidates derived the correct profit from operations, many omitted the purchase of the machine and few obtained the marks for the increase in cash and the cash balance at the end of the year.

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Question 3

(a) Many candidates stated two valid reasons for a business acquisition.

(b) The realisation account was well prepared with a significant number of fully correct accounts. The most common error was the incorrect treatment of the vehicle taken over by a partner.

(c) Very few candidates made a realistic attempt at deriving the current account balances to transfer to the capital account which resulted in a loss of four marks. The other six marks, however, were accessible to most with nearly all candidates entering the opening balances, profit on realisation and ordinary shares.

(d) The journal entries were generally well prepared with some candidates being awarded full marks. The most common errors were the failure to split the share capital and share premium and the omission or miscalculation of goodwill.

(e) Nearly all candidates provided the required advice and the justification was invariably acceptable with many candidates being awarded three or four marks. Some responses were generic and considered the pros and cons of setting up as a sole trader rather than addressing the given information in the question.

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ACCOUNTING

Paper 9706/33
A Level Financial Accounting 33

General comments

This was the first June sitting of the new syllabus. There were three questions on the paper. Performance was good with question three being the best answered question.

Comments on specific questions

Question 1

(a) There were some correct profit calculations but also a range of incorrect answers which added extraneous items to the given residual profit.

(b) The capital accounts were prepared to a reasonable standard with a limited number of fully correct accounts. Common errors included the omission of a component of the current accounts and the omission or incorrect treatment of the trade payables discount and/or the goodwill resulting in an incorrect profit on realisation.

(c) Calculations to determine the amount paid into the bank account were reasonable with some being fully correct. Errors invariably occurred in the determination of the consideration as most candidates did deal correctly with the deduction of the debentures and shares.

(d) The preparation of the partnership account was not well answered. Some candidates omitted the trade payables and/or the payment from J Limited which had been calculated in **(c)**. There were also a few reversed entries for the two partners in relation to their capital accounts.

(e) Most candidates provided the required advice and justified their answer with up to two valid comments. It was rare to see further appropriate comments and consequently few were awarded more than three marks.

Question 2

(a) Although some candidates did state two valid points of comparisons most only provided one as their second offering was just a repeat of the first.

(b) (i) Some candidates correctly calculated the net assets and were awarded both marks. However, some just calculated the non-current assets and were awarded one mark. Few candidates incorrectly multiplied the revenue by the non-current asset turnover.

(ii) The closing retained earnings calculation was well answered with many candidates deducting the share capital and share premium from their equity. There were no common errors.

(iii) The opening retained earnings calculation was also well answered with some fully correct solutions. Most candidates correctly added the dividend paid to the opening retained earnings. The most common error was the failure to correctly derive the profit for the year.

(c) (i) The calculation of the working capital cycle was very well answered with many fully correct answers. Nearly all candidates rounded up each component as per the question requirement. A very high number of candidates calculated both the trade receivables turnover and the trade payables turnover correctly. The most common error was the miscalculation of the inventory turnover often due to the inability to calculate the cost of sales or average inventory.

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(ii) Many candidates calculated the gearing ratio correctly and there were no common errors but a limited few did not express their answer as a percentage to two decimal places.

(d) Most candidates provided the required advice, and a high number justified their answer by giving two relevant comments as to why the directors should be concerned. However, very few candidates balanced their answer by considering possible reasons why they should not be concerned.

Question 3

(a) Many candidates were awarded one mark for identifying the prudence concept but very few related its application to the inventory.

(b) The manufacturing account was very well prepared with a significant number of fully correct accounts. The most common errors were the omission of carriage inwards and the incorrect derivation of factory profit.

(c) The preparation of the statement of profit or loss was prepared to a reasonable standard but there were only a few fully correct statements. Common errors included accounting for the opening and closing finished goods inventories at cost, the omission of factory profit and the incorrect treatment of the increase in provision for unrealised profit.

(d) Most candidates demonstrated knowledge of the importance of the opinion with a few being awarded three marks and nearly all receiving some credit.

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ACCOUNTING

Paper 9706/41
A Level Cost and Management Accounting 41

General comments

This was the first June sitting of the new syllabus. There were two questions on the paper.

Performance was good and question one was particularly well answered.

Comments on specific questions

Question 1

(a) (i) The net present value calculation was well answered with a significant number of fully correct answers. The most common error was to account for the proceeds equally over the four-year period rather than in line with the progress of the dig.

(ii) The payback period was calculated correctly by most candidates including those who had made an error in **(a)** and there were no common errors.

(iii) The accounting rate of return calculation was also well answered with many fully correct calculations. The most common errors were the failure to account for the payment to the farmer when calculating the average profit and using the total investment rather than the average investment in the formula.

(b) Most candidates provided the required advice and many justified their answer with some appropriate comments. A high number of candidates gave an evaluation point for each investment appraisal method but relatively few considered other factors. Consequently only a few were awarded more than four marks.

(d) Nearly all candidates stated one disadvantage. Some were able to state two disadvantages and were awarded two marks.

Question 2

(a) The production budget was prepared to a reasonable standard with some being fully correct. The most common error was the failure to account for the constraints which resulted in the April demand not being satisfied.

(b) Although many candidates gave a reasonable explanation few considered that the production constraint had to be considered when calculating the budgeted revenue for April. Consequently very few candidates received more than one mark.

(c) Most candidates provided the required advice. Many candidates gave a balanced argument which justified their decision.

(d) The trade payables budget was prepared to a good standard with some candidates being awarded full marks. These included some who had made an error in the production budget as own figures were rewarded. The most common error was the miscalculation of the split bank payments.

(e) The explanation was generally well answered. Many candidates identified that the budgeted profit would increase and some stated that this was due to the discount received.

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ACCOUNTING

Paper 9706/42
A Level Cost and Management Accounting 42

General comments

This was the first June sitting of the new syllabus and there were two questions on the paper.

Overall performance was good with the first question being the best answered question.

Comments on specific questions

Question 1

(a) (i) The net cash flow calculation was well answered with many fully correct responses. A very common error was the failure to apply the income from the extra eighty new houses in years 3 and 4. A few candidates did not show the cash flows for each year, and some did not provide the total cash flow for the project.

(ii) The accounting rate of return (ARR) calculation was well answered with many correct solutions. Most candidates knew the formula and applied it correctly. A few candidates did not express their answer as a percentage to two decimal places.

(b) The net present value (NPV) calculation was very well answered with a high number of candidates being awarded four marks. This included those who had made errors in **part (a)** as full credit was given for applying the correct discount factors to own figures. A few candidates did express a negative NPV as positive and vice versa.

(c) The change in NPV calculation was reasonably well answered with some fully correct solutions. Although nearly all candidates derived the correct cash flow for year 2 there were many incorrect derivations of cash flows for years 3 and 4. Some candidates calculated a revised NPV but then failed to calculate the change and state whether it was an increase or decrease which resulted in a loss of two marks.

(d) Nearly all candidates gave the required advice. Most candidates justified their answer by considering their calculations of NPV and ARR and were rewarded with up to five marks depending on the depth of evaluation. Very few received the other available marks.

Question 2

(a) Performance on the preparation of the reconciliation statement varied. Well-prepared candidates were able to calculate the variances correctly and were awarded full marks. A high number of candidates calculated the sales price variance and fixed overhead expenditure variance correctly but there were a range of errors on the other calculations. Many candidates did not derive the correct actual profit figure which could have been calculated from the given results.

(b) This explanation was answered to a reasonable standard with a high number of candidates identifying the fall in price and some developing their answer sufficiently to receive the second available mark.

(c) This explanation was less well answered than **(b)** with relatively few candidates identifying that more hours had been worked. There were some purely generic explanations which did not consider the scenario.

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(d) Nearly all candidates gave the required advice. However, many did not provide any of the requested calculations which restricted the available marks to four. These four marks were awarded on a regular basis as most candidates did justify their advice with three appropriate comments.

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ACCOUNTING

Paper 9706/43
A Level Cost and Management Accounting 43

General comments

This was the first June sitting of the new syllabus. There were two questions on the paper.

Performance was good and question one was particularly well answered.

Comments on specific questions

Question 1

(a) (i) The net present value calculation was well answered with a significant number of fully correct answers. The most common error was to account for the proceeds equally over the four-year period rather than in line with the progress of the dig.

(ii) The payback period was calculated correctly by most candidates including those who had made an error in **(a)** and there were no common errors.

(iii) The accounting rate of return calculation was also well answered with many fully correct calculations. The most common errors were the failure to account for the payment to the farmer when calculating the average profit and using the total investment rather than the average investment in the formula.

(b) Most candidates provided the required advice and many justified their answer with some appropriate comments. A high number of candidates gave an evaluation point for each investment appraisal method but relatively few considered other factors. Consequently only a few were awarded more than four marks.

(d) Nearly all candidates stated one disadvantage. Some were able to state two disadvantages and were awarded two marks.

Question 2

(a) The production budget was prepared to a reasonable standard with some being fully correct. The most common error was the failure to account for the constraints which resulted in the April demand not being satisfied.

(b) Although many candidates gave a reasonable explanation few considered that the production constraint had to be considered when calculating the budgeted revenue for April. Consequently very few candidates received more than one mark.

(c) Most candidates provided the required advice. Many candidates gave a balanced argument which justified their decision.

(d) The trade payables budget was prepared to a good standard with some candidates being awarded full marks. These included some who had made an error in the production budget as own figures were rewarded. The most common error was the miscalculation of the split bank payments.

(e) The explanation was generally well answered. Many candidates identified that the budgeted profit would increase and some stated that this was due to the discount received.

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