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ACCOUNTING

Paper 0452/11

Paper 1

Key Messages

This question paper contained a mixture of multiple-choice, short-answer and structured questions. There were accessible marks for candidates with knowledge and application skills. Additional marks were available for those well-prepared candidates who were able to demonstrate higher skills.

Accounting is a subject which requires accuracy and precision. Marks are available for giving correct numerical answers but it is important that candidates are able to analyse information and provide appropriate advice in given scenarios. Candidates are reminded that it is important to answer the question being asked. No marks were available for additional responses.

The application of accounting principles to maintaining books of account (such as the cash book or ledger accounts) is an important part of the subject at this level and candidates need to be able to present these accounting records in an appropriate manner. In order to gain high marks, candidates require a sound knowledge of definitions and accounting theory. For example, marks were available to those who were aware that the return on capital employed should be expressed as a percentage.

General Comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work through questions on previous past examination papers and appropriate exercises in textbooks.

It was very noticeable that a large number of candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed. For example marks were lost when candidates failed to follow an instruction to round up the payment period for trade payables to the next whole day.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provide another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example, a note "Please refer to page..." or "Continued on page..." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations such as "bbd" for "balance brought down", "E over E" for "excess of income over expenditure" and "nyp" for "not yet presented" are not acceptable

The following comments should be read in conjunction with the question paper and the published mark scheme.

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Comments on specific questions

Question 1

This section of the paper consisted of 10 multiple choice questions from across the syllabus.

Marks awarded varied considerably and there seemed to be a correlation between the marks gained on this section and overall marks for the whole paper. Two of the items, **(e)** on accruals and **(g)** on partnership accounts, were found to be the most challenging.

Question 2

This question tested candidates' understanding of accounting documents, principles, bad debts and dividends. Some calculations were also required.

Part (a) required candidates to identify a business document. This was well answered and almost all candidates gained full marks. In **Part (b)** most candidates identified two examples of accounts in the nominal ledger which would be entered in the income statement, a small number were confused with the other ledgers and journals. The majority of candidates were also able to calculate the discount received in **Part (c).** Most candidates correctly identified 'Consistency' as the correct principle for **Part (d),** weaker candidates frequently gave no answer for this question. Fewer candidates knew that the type of error in **Part (e)** was original entry but correct answers were still provided in the majority of cases. Answers for the calculation of the amount left in the petty cash box in **Part (f)** were also generally good although some candidates lost marks by stating the amount issued rather than the amount remaining. Almost all candidates were able to explain what is meant by bad debts for **Part (g),** with only slightly fewer also being able to explain provision for bad debts. More able candidates recognised that provisions involve estimates of future amounts for bad debts without specifying which debtors will be involved, and also correctly calculated the amount of the provision. Less able candidates neglected to calculate the increase in the provision for the year. In **Part (h)** the answers for the calculation of the dividends were generally good although some candidates lost marks by calculating dividends for 40 000 shares rather than 80 000.

Question 3

This question tested candidates' understanding of transactions involving cash and bank transactions including double-entry in different accounts and bank reconciliation statements.

Part (a) required candidates to record bank transactions in a cash book. Many candidates recorded details incorrectly in some of the transactions so although most candidates achieved some marks only the most able gained high marks. Common errors were to write narratives or descriptions instead of account names and including some of the cash transactions. Most candidates achieved some marks in **Part (b)**, and well prepared candidates frequently gained very high marks by accurately recording all transactions with correct details and dates. In **Part (c)**, all reasonably well prepared candidates were able to prepare a correct bank reconciliation statement. Credit was given for candidates using their own figures from part **(a)** to ensure that they were not penalised twice. Errors usually involved reversing calculations; for example cheques not yet presented were added to the bank statement balance rather than deducted. **Part (d)** very accurately discriminated between the different levels of candidates. The less prepared candidates often answered this question by describing the principle of double-entry, slightly more able candidates identified the fact that the position depended upon whether the bank or the business were viewing the documents and the most able candidates recognising that the business was a creditor from the banks viewpoint but the bank was a debtor from the business viewpoint.

Question 4

Candidates were required to prepare a trial balance, and an income statement, and calculate working capital and current ratios.

Part (a) required candidates to prepare a corrected trial balance. Most candidates recognised some of the errors such as the capital and cash at bank figures were on the wrong side and the more able candidates also realised that the figure for inventory should be the opening balance not the closing balance. Credit was given to those candidates that were unable to identify all errors but used their initiative and included a suspense account figure to make the trial balance agree. **Part (b)** required candidates to prepare an Income

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statement from the figures provided. This was very well answered and almost all candidates were reasonably prepared for this question. Many of the most able candidates gained full marks. Less able candidates usually lost marks by confusing the opening and closing figures for inventory. Candidates were required to state the formula for and calculate working capital in **Part (c).** Almost all candidates were able to state the formula but far fewer were able to correctly use the formula with the figures provided. Common errors were to include the wrong inventory figure or some non-current assets. **Part (d)** required candidates to identify the effect of different actions on working capital. The majority of candidates could recognise some of the effects but only the best prepared were able to apply the formula in order to correctly predict the effects of each action. In **Part (e)** candidates were asked to state the formula for, and calculate, current ratios. As with part **(d)** a large majority of candidates could accurately state the formula but only the most well prepared were able to apply it. Although common errors were more often due to carelessness such as not giving the answer to 1 decimal place as requested or not showing the answer in the correct format for a ratio.

Question 5

This question required candidates to calculate depreciation and show accounting entries for the disposal of assets. Candidates were also required to explain the concept of profit on sale of assets and correct errors made in double-entry accounts.

In **Parts (a)** candidates were required to state two methods for calculating depreciation. This was the best answered question on the whole paper. Answers such as reducing instead of reducing balance were not acceptable. **Part (b)** required candidates to calculate depreciation using the straight line method and deduce the net book value. Many candidates were aware of the formula for this method and the more able also identified the correct figures to be used in the formula along with the process for determining the net book value. **Part (c)** required candidates to prepare the disposal account to record the sale of the asset. Marks awarded varied according to the ability of candidates and only the most able candidates could state all of the entries correctly along with correct dates. Reasonably well prepared candidates were able to identify most of the entries correctly but may have used inappropriate or incorrect names for details or incorrect dates. The reason for a profit or loss on the sale of the asset and suggestions as to how depreciation could be more accurate were required in **Part (d).** Candidates often found these questions difficult and were not always capable of determining whether it was a profit or a loss that had been made. Suggestions for making depreciation more accurate were often much better and acceptable answers including changing the method used for charging depreciation or assuming a different working life/scrap value. Candidates' answers in **Part (e)** were significantly better and almost all candidates were able to show some understanding of how to make the journal entries. Higher marks were awarded for candidates that included suitable narratives to describe the entries made.

Question 6

This question required the calculation and interpretation of accounting ratios for two businesses. Candidates' understanding of how the ratios could be used to compare businesses was also examined.

Part (a) required candidates to calculate the percentage of gross profit for the year to revenue. The calculation part was exceedingly well answered and very many candidates achieved full marks. Less able candidates lost some marks by not showing their answers in the correct format (for example 35 times instead of 35%). Only the more able candidates were able to explain the reason for the differences by referring to different prices charged by the businesses or one business having cheaper suppliers. Less able candidates tended to simply re-state the formula without any analysis. In **Part (b)** candidates were expected to calculate the percentage of profit for the year to revenue. The calculation part was once again exceedingly well answered and many candidates achieved full marks. Less able candidates lost some marks by not showing their answers to the required number of decimal places. Well prepared candidates explained that one business had controlled its expenses more effectively or gave reasons why supermarkets would be likely to have higher expenses than small shops. Less able candidates again tended to simply re-state the formula by comparing revenue to net profit without any proper analysis. **Part (c)** required candidates to calculate the return on opening capital employed. Only the best prepared candidates were able to correctly calculate this figure and very few candidates considered that the difference between the two businesses was dependent upon how effectively capital employed had been utilised. The final question in **Part (d)** required candidates to explain why increasing sales would not necessarily also increase profit. Many candidates recognised that costs of sales and/or expenses might also increase but only the most able expanded their answers to show the effects these would have on profit.

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ACCOUNTING

Paper 0452/12

Paper 1

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ACCOUNTING

Paper 0452/13

Paper 1

Key messages

This question paper contained a mixture of multiple-choice, short form and structured questions. There were accessible marks for candidates with knowledge and application skills and additional marks for well-prepared candidates able to show higher skills.

Accounting is a subject that requires accuracy and precision. Marks are available for giving correct numerical answers but where questions require analysis or decision taking, it is important for candidates to be able to give written descriptions or advice. It is also important to answer the question and not to give additional answers which are not required.

General comments

Although there were many very good answers, it appeared that some candidates found the question paper challenging. Overall, there was a considerable range of responses, with the more able candidates giving good answers and finding some higher level parts of the questions to demonstrate their abilities whilst less well-prepared candidates, though still able to find some accessible marks from the question paper, found the paper more demanding as it progressed.

Answers were generally clearly written with appropriate wording or accounting terms used. Most candidates completed all the questions and there did not seem to be evidence of time pressure although there were a number of candidates who did not attempt all of the required questions. There was space on the question paper allocated for candidates to show their workings, where these are required, and it is not possible to give credit to candidates who do not show these. It is recommended that candidates are encouraged to show how they worked out the answers to numerical questions and if the answer is a percentage, or a ratio, or has another description, to show this in the answer.

Most of the multiple choice questions in **Question 1** were well answered but even good candidates found a few of the items challenging. Candidates performed well on **Question 2** and in particular gave correct answers to the calculation in **part (h)**. However, many candidates had difficulty with **part (d)**. **Question 3, part (a)**, the preparation of the balance sheet, was well answered with a significant number of candidates gaining full marks, but in **parts (b) (iii) and (c) (iii)** many candidates struggled with the interpretation. Good responses were given to **Question 4**, with again a significant number of candidates gaining full marks in the preparation of the income statement in **part (c)**. Many good responses were provided to **Question 5**, but there was evidence that candidates found **Question 6** exacting with candidates giving reasonable answers to **parts (c)**, **(d)** and **(e)**, but were less strong in **part (b)** and the numerical questions in **parts (a) and (f)**.

Comments on specific questions

Question 1

This question comprised ten multiple choice questions, and performance varied. Item **(d)** was well answered and items **(c), (h)** and **(i)** appeared most challenging to all but the most able candidates.

Question 2

This question consisted of a number of short answer questions from across the syllabus and candidates performed particularly well on **parts (a), (b) and (h);** reasonably well on **parts (e), (f), (g)** but found **parts (c) and (d)** challenging.

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Part (a) required candidates to name two books of prime (original) entry. Answers referring to ledgers or accounts were not accepted.

In **Part (b)** candidates were asked to indicate on a table whether an item was income or an expense of a business. Most candidates were able to select the correct heading to show the items as income or expenditure.

Part (c) required candidates to suggest a reason why a new supplier would be interested in a customer's financial statements. Candidates showed a good understanding of checking the customer's ability to pay his debts, but infrequently expanded enough to cover the liquidity position of the business.

Part (d) asked for two reasons why a trial balance would not balance. Well-prepared candidates were able to give two valid reasons; other candidates either gave only one reason or referred to errors that would not be uncovered by a trial balance, e.g. errors of commission and principle.

In **Part (e)** candidates were asked to indicate whether an item would increase, reduce or have no effect on a debit balance in a cash book. Most candidates indicated that bank charges decreased, and a credit transfer increased the debit balance. A common error, however, was to indicate that a dishonoured cheque increased the debit balance.

Part (f) requested one example of an intangible non-current asset. Many candidates gave Goodwill as a correct response to this item though some candidates did give incorrect examples of tangible non-current assets, e.g. premises.

Part (g) (i) and **(ii)** required candidates to name a type of error made and show the journal entry required to correct the error. Most candidates correctly identified the error of original entry in part **(i)**. There was however some confusion in part **(ii)** over whose books were being completed with Singh as a common entry, even though the answer section was labelled 'Singh Journal'.

Candidates' responses were excellent to **Part (h)**, which asked for the calculation of an increase in a provision for doubtful debts.

Question 3

This question required the preparation of a balance sheet, followed by the calculation and interpretation of the current ratio and the quick (acid test) ratio. Candidates produced good responses to **parts (a), (b)(i), (c)(i), (d) and (e)** but had difficulty with **parts (b) (ii), (c)(ii)** and especially **part (b) (iii).**

Part (a) required the preparation of a balance sheet and there were many excellent responses to this question. Some candidates lost a mark by not showing the net current assets item as a separate figure.

Part (b)(i) asked for the formula for the calculation of the current ratio, with many candidates responding correctly.

Many candidates correctly responded to **Part (b)(ii)**, giving the calculation for the current ratio to two decimal places.

Part (b)(iii) required candidates to state and explain whether the ratio calculated in **(b)(ii)** would be satisfactory. Candidates displayed poor understanding and there was little reference to the usual benchmark of 2:1. A common misunderstanding was that a current ratio of above 1:1 was acceptable. There was also little reference to the fact that the current assets did not cover/were unable to pay for the current liabilities.

Part (c)(i) required candidates to state the formula for the calculation of the quick (acid test) ratio and many candidates responded correctly.

Many candidates correctly responded to **Part (c)(ii)**, giving the calculation for the quick (acid test) ratio to two decimal places.

Part (c)(iii) required candidates to state and explain whether the ratio calculated in **(c)(ii)** would be satisfactory. Candidates again displayed poor understanding and there was little reference to the usual benchmark of 1:1. There was also little reference to the fact that the current assets less stock did not cover/ were unable to pay for the current liabilities.

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In **Part (d)** 'offer cash discount' was the most frequent correct response to this question on how customers can be encouraged to pay their accounts more quickly. 'Offer discount' or 'offer trade discount' was not acceptable.

Part (e) asking candidates to suggest one way in which working capital could be improved was poorly answered, with many candidates generally referring to 'increase current assets' or 'decrease current liabilities', rather than specific remedies. Most common correct responses were 'introduce more capital' and 'sell surplus fixed assets'.

Question 4

For this question, from given information, candidates were required to calculate the value of the closing stock of a business and prepare an income statement, followed by items to test knowledge and understanding of stock control.

In **Part (a)** candidates were required to state what is meant by the term 'inventory', which is goods held for resale by a business. Candidates answering 'stock', failed to gain the mark available.

Part (b), the calculation of the value of closing stock, was well answered with many candidates correctly using the selling price per unit for the calculation of the value of the table mirrors. The most common error was candidates multiplying units by selling price and units by cost price, then deducting one from the other.

Part (c) required the preparation of an income statement and there were many excellent responses to this question. Marks were lost where candidates failed to use the closing stock figure calculated in part **(b)**. Other errors were the incorrect positioning of returns inwards and carriage outwards, plus failure to take account of the prepaid rent and accrued operating expenses.

Most candidates gave the correct formula for the calculation of the rate of inventory turnover in **Part (d)(i)**, but application of the formula in **Part (d)(ii)** was poorly answered. Marks were lost by not stating the answer to one decimal place as required and omitting the descriptor 'times'.

Candidates in **Part (e)** were aware that by reducing closing inventory, inventory turnover will increase; but few candidates explained that the inventory would be replaced quicker.

Part (f) was poorly answered with candidates giving incorrect responses to an example of a type of business which will have a low rate of inventory turnover, for example 'supermarket' and 'company'. 'Luxury goods' and 'jewellers' were the most frequent correct responses.

Question 5

This question required the explanation of an accounting principle plus the preparation and interpretation of ledger accounts.

In **Part (a)** most candidates knew the principle, but had difficulty in expressing it in their own words. Many responses stated that costs and expenses must be matched, but made no mention of an accounting period.

Part (b) required the preparation of a ledger account which included opening and closing accrual entries. As with all questions requiring calculation and writing up of accounts, candidates need to pay close attention to detail; for example, entries in ledger accounts must be on the correct (debit or credit) side, and must show the correct narrative. Although many candidates gave correct entries, some reversed the debits and credits thereby losing marks; made an unnecessary entry for the bill received on 4 October as paid, recorded the opening and closing accruals on the debit side and gave incorrect narratives. Although it is important to show correct dates, it is possible to earn most of the available marks even if dates shown are incorrect or dates are omitted.

Most candidates gave an acceptable answer to **Part (c)**, correctly identifying that profit for the period would be too high if an accrued expense was omitted.

'Purchases journal' and 'purchases account' were quite common answers for **Part (d)**, in answer to the question in which section of the ledger a creditor's account would appear, even though the question clearly specified ledger.

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Answers varied considerably in **Part (e)**, where candidates were asked to explain the entries in a given creditor's account and state where the double entry for each transaction would have been made. In some cases candidates gave the correct explanation, but an incorrect double entry and vice versa. The poorest responses were for **7 September Discount**, where candidates lost marks by referring to 'discount' or 'trade discount' instead of 'cash discount' or 'settlement discount'.

Question 6

In this question candidates were required to carry out calculations with regard to a company's issued share capital and dividends and explain and compare accounting terminology for limited company accounts. Candidates on the whole found the question quite challenging.

Part (a) required the calculation of the issued share capital of a limited company. Most candidates performed the calculation for ordinary share capital correctly - 100000 shares @ $1.50 = $150000. However, the calculation for preference share capital was poorly performed with many candidates giving the answer 120000 shares x 6% = 7200; rather than the correct answer of 120000 shares @ $1 = $120000.

Parts (b)(i) and **(b)(ii)** asked for an explanation of the terms 'called-up capital' and 'paid-up capital' respectively. Candidates had difficulty explaining these terms and credit was given for any indication that 'called-up capital' is the amount requested from shareholders and 'paid-up capital' is the amount actually received from shareholders. 'Called-up capital' was frequently confused with authorised share capital.

In **Part (c)**, a clear comparison of the differences between ordinary shares and preference shares was required. Most candidates gained some marks and showed an understanding of the differences relating to voting rights for both types of shares, and the difference between fixed dividends for preference shares and variable dividend for ordinary shares.

Part (d) required a clear comparison of the differences between ordinary shares and debentures. Acceptable answers were given with candidates showing again an understanding of the differences relating to voting rights for ordinary shares and debentures, and the difference between interest for debentures and dividend for ordinary shares.

Part (e) was well-answered, the main response being that companies pay dividends on shares as a reward to shareholders for their investment in the company.

Part (f) required candidates to calculate company dividends paid on 31 October. Most candidates were able to calculate the ordinary shares dividend correctly as 10000 x 12% = $1200. The preference share dividend was frequently calculated as 12000 x 6% = $720 for the year, with candidates failing to recognise that the dividends were paid in two instalments and that the correct answer for 31 October was $360.

Part (g) asked candidates to state one advantage of being an ordinary shareholder in a limited company. This question was very well-answered with 'limited liability' being the most common answer.

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ACCOUNTING

Paper 0452/21

Paper 2

Key Messages

Question 1 required candidates to have a thorough knowledge of the financial statements of a manufacturing business. Knowledge of accounting principles was also required.

To gain full marks in **Question 2** candidates had to understand how to prepare ledger accounts involving prepaid income and accrued and prepaid expenses. Candidates were also required to understand the effect of various errors on the profit/loss for the year.

Question 3 was on the topic of limited liability companies. Candidates were expected to be able to prepare the appropriation account of a limited company, prepare relevant balance sheet extracts, and to answer related theory questions.

To earn good marks in **Question 4** candidates had to be able to prepare a purchases ledger control account and to understand the advantages of preparing such an account. Journal entries involving sales and purchases ledger accounts also had to be prepared.

Question 5 required candidates to be able to calculate ratios. A knowledge of the significance of ratios was also required.

General Comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work though questions on past examination papers and appropriate exercises in textbooks.

Many candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed. For example marks were lost when candidates failed to follow an instruction to round up the collection period for trade receivables to the next whole day.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provide another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example a note "please refer to page . . ." or "continued on page . . ." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations should as "PC" for "prime cost", "bbd" for "balance brought down", "P" for "Profit for the year" and "GR" for "general reserve" are not acceptable.

The following comments should be read in conjunction with the question paper and the published mark scheme.

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Comments on Specific Questions

Question 1

Candidates were required to prepare a manufacturing account and the trading section of an income statement. Knowledge of the application of accounting principles was also required.

(a) Candidates had to select the appropriate figures from the data provided and prepare a manufacturing account. There were many good answers.

It is important to understand that the purpose of a manufacturing account is to calculate the cost of goods produced. The prime cost which consists of the cost of materials used and the direct factory wages should have been clearly labelled.

Anything connected to the sale of finished goods and any office or selling expenses should not be included in the manufacturing account. A number of candidates included all the expenses irrespective of whether or not they related to the factory. The factory overheads should be added to the prime cost: a significant number of candidates deducted the factory overheads.

The closing work in progress should have been deducted from the total of the prime cost plus the factory overheads to arrive at the cost of finished goods. This should have been clearly labelled.

(b) The trading account section of an income statement had to be prepared. Once again, there were many good answers.

A number of candidates included the purchases of raw materials instead of the cost of production calculated in Part **(a)**. Another common error was to include the carriage on sales and discount allowed. Some candidates wasted precious time by listing expenses and calculating the profit for the year. This was not required.

(c) The majority of candidates correctly stated that inventory is valued at the lower of cost and net realisable value. Many also identified prudence as the accounting principle being applied.

(d) A number of candidates identified realisation as the principle being applied when credit sales were recorded at the time of sale rather than at the time of payment.

The majority of candidates understood that the business entity principle was applied when personal motor expenses were not recorded in the business records.

Question 2

This question required candidates to write up two ledger accounts involving prepaid income and accrued and prepaid expenses. A statement of corrected profit also had to be prepared.

(a) Using data provided, candidates were required to write up a rent received account. Many candidates did not date the entries within the account: a ledger account without dates is meaningless. The details column should show the name of the account in which the double entry will appear: many candidates used incorrect details. It was expected that candidates would understand that the income for the year should be transferred to the income statement and that the amount prepaid at the end of the financial year should be carried down as a balance.

(b) Many candidates correctly stated that the balance of the rent received account would appear in the current liabilities section of the balance sheet. Most were also able to explain that this was because it was income paid in advance.

(c) Using data provided, candidates were required to write up an advertising expenses account. As in Part **(a)**, errors were made with regard to dates, descriptions, the amount transferred to the income statement and balance carried down.

(d) Candidates were required to indicate the effect on capital employed of charging the full cost of advertising to the current financial year. There were many correct responses, but a significant number of candidates incorrectly indicated that the capital employed would be overstated.

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(e) Details of a number of errors were provided and candidates were required to prepare a statement of corrected profit/loss. This question was very well answered by many candidates. When calculating the corrected profit/loss a number of candidates did not include the amount of $20 (shown in the decrease column) and the original loss for the year of $550.

Question 3

Candidates were required to prepare the appropriation account of a limited liability company, together with balance sheet extracts. Related theory questions were also included.

(a) Most candidates managed to explain that the advantage of limited liability to shareholders is that their liability for the debts of the company is limited to the amount they agree to pay to the company for their shares.

(b) Candidates were required to state two differences between ordinary shares and debentures. Many candidates were able to state one or two facts about ordinary shares or debentures, but these were often un-related points and there was no attempt at comparison. There were also many vague comments such as "debentures are paid first". Such a statement should have been qualified by either a reference to the debenture interest being paid before share dividends, or, that in the event of a winding up, debentures holders are repaid before shareholders.

(c) Using the data provided, an appropriation account for a limited company had to be prepared.

The topic of limited companies has been on the syllabus for a number of years and it is expected that candidates will have a basic understanding of the purpose and layout of an appropriation account. There were some reasonable attempts, but many candidates lost marks because of inadequate labelling of figures. For example, it is not regarded as adequate to label "dividend paid" as simply "ordinary". The retained profit brought forward, the retained profit for the year and the retained profit carried forward were often left without a label. A few candidates incorrectly included the debenture interest and the balance of the general reserve: these should not appear in an appropriation account.

(d) An extract from the balance sheet showing the capital and reserves had to be prepared. A common error was to insert $350 000 for the ordinary share capital instead of the correct figure of $175 000. The general reserve should have been $28 500 (the opening balance plus the amount transferred). The retained profit should have been $21 050 (or the candidate's own closing figure on the appropriation account). A number of candidates included either the opening or closing general reserve. Some included both the opening and closing retained profit figures.

(e) The non-current liabilities section of the balance sheet had to be prepared. The only entry in this section should have been the debentures of $100 000. Many candidates entered $5000 (the debenture interest). Other candidates incorrectly included share capital and dividends.

Question 4

This question concentrated on control accounts. Candidates had to prepare a purchases ledger control account and to list two advantages of such an account. The question also included a theory question, a sales ledger control account and the preparation of journal entries involving purchases and sales ledger accounts.

(a) Candidates were required to state one advantage of dividing the ledger into general ledger, sales ledger and purchases ledger. Many correct responses included comments on easier reference and division of the work of writing up the ledgers. A large number incorrectly believed that dividing the ledger would reduce the number of errors.

(b) Using data provided candidates were required to prepare a purchases ledger control account. There were many wholly correct responses. A number of candidates made incorrect entries for some items such as interest, discount and returns. The balancing of the account at the month end caused some problems. The balance of $160 should have been entered on the credit side and then the account should be balanced by inserting a balancing figure on the debit side. The two closing balances should then be brought down to start the following month.

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(c) Two advantages of maintaining a purchases ledger control account had to be stated. Many candidates provided acceptable answers relating to the location of errors in the purchases ledger and to providing an instant total of trade payables. A number of candidates listed advantages of control accounts in general without relating them specifically to the purchases ledger. Some candidates mistakenly believed that the purchases ledger control account provided the total of the credit purchases, prevented or corrected errors and prevented fraud.

(d) Candidates were required to indicate where three items would be entered in a sales ledger control account. Those candidates who had a thorough knowledge of double entry were able to earn the available marks.

(e) A journal entry, with narrative, had to be prepared to show the entry for charging a credit customer interest on an overdue account. The credit customer should have been debited as he now owes the business more money and an interest receivable account should have been credited. The debit and credit entries were often reversed.

A journal entry, with narrative, had to be prepared to show the transfer of the balance of a sales ledger account to the purchases ledger account of the same person. Many candidates did not use correct account titles (often using just the name of the trader or the name of the ledger). The debit entry should have been made in the account of Ansie (purchases ledger) and the credit entry should have been made in the account of Ansie (sales ledger).

Question 5

This question required candidates to calculate the credit sales, the gross profit, the cost of sales and the rate of inventory turnover. The current and quick ratio (acid test ratio) also had to be calculated. Related theory questions were also included.

(a) Candidates were required to calculate the credit sales for the year. Many candidates produced a correct calculation. Other candidates introduced unconnected items such as bank overdraft and inventory.

(b) Using the data provided and the answer to **(a)**, candidates were required to calculate the gross profit. The mark-up was 25%, so the gross profit should have been 25/125 x the figure of sales from **(a)**. A common error was to use 25/100. Some weaker candidates simply deducted the closing inventory from the sales.

(c) Using the answers to **(a)** and **(b)**, candidates were required to calculate the cost of sales. This could be calculated by deducting the gross profit from the sales or by calculating 100/125 of the sales figure.

(d) A calculation of the rate of inventory turnover was required. This should have been the cost of sales calculated in **(c)** divided by the average inventory. Some candidates reversed the formula. Some stated the formula but were evidently unable to decide on the appropriate figures which should be included.

(e) Candidates were required to suggest two ways in which the rate of inventory turnover could be improved. Many correctly suggested reducing the average inventory and increasing the sales activity. Some candidates hinted at increasing advertising but did not explain the expected outcome of such a policy.

(f) The current ratio had to be calculated. There were many correct answers. A significant number of candidates omitted the petty cash figure from the current assets. A few candidates did not express the answer in ratio format, simply putting 1.65 instead of 1.65:1.

(g) The quick ratio (acid test ratio) had to be calculated. Again, there were many correct answers. Again the petty cash figure was often omitted from the current assets. Again a few candidates did not express the answer in ratio format, simply putting 0.86 instead of 0.86:1. A few candidates incorrectly expressed the answer as either 1:0.86 or 1:1.16.

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(h) Candidates were required to explain why the quick ratio (acid test ratio) is the more reliable indication of liquidity. The majority of candidates explained that inventory is not included in the calculation of the ratio and were also able to explain that inventory is the least liquid of the current assets.

(i) Candidates had to suggest one way in which the quick ratio (acid test ratio) could be improved. There were some acceptable suggestions, but many candidates did not seem to appreciate the effect that transactions would have on both current assets and current liabilities. Common incorrect responses included reducing the bank overdraft, reducing trade payables, reducing trade receivables, increasing credit sales.

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ACCOUNTING

Paper 0452/22

Paper 2

Key Messages

Question 1 required candidates to have a thorough knowledge of the financial statements of a manufacturing business. Knowledge of accounting principles was also required.

To gain full marks in **Question 2** candidates had to understand how to prepare ledger accounts involving prepaid income and accrued and prepaid expenses. Candidates were also required to understand the effect of various errors on the profit/loss for the year.

Question 3 was on the topic of limited liability companies. Candidates were expected to be able to prepare the appropriation account of a limited company, prepare relevant balance sheet extracts, and to answer related theory questions.

To earn good marks in **Question 4** candidates had to be able to prepare a purchases ledger control account and to understand the advantages of preparing such an account. Journal entries involving sales and purchases ledger accounts also had to be prepared.

Question 5 required candidates to be able to calculate ratios. A knowledge of the significance of ratios was also required.

General Comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work though questions on past examination papers and appropriate exercises in textbooks.

Many candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed. For example marks were lost when candidates failed to follow an instruction to round up the collection period for trade receivables to the next whole day.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provide another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example a note "please refer to page . . ." or "continued on page . . ." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations should as "PC" for "prime cost", "bbd" for "balance brought down", "P" for "Profit for the year" and "GR" for "general reserve" are not acceptable.

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Comments on Specific Questions

Question 1

Candidates were required to prepare a manufacturing account and the trading section of an income statement. Knowledge of the application of accounting principles was also required.

(a) Candidates had to select the appropriate figures from the data provided and prepare a manufacturing account. There were many good answers.

It is important to understand that the purpose of a manufacturing account is to calculate the cost of goods produced. The prime cost which consists of the cost of materials used and the direct factory wages should have been clearly labelled.

Anything connected to the sale of finished goods and any office or selling expenses should not be included in the manufacturing account. A number of candidates included all the expenses irrespective of whether or not they related to the factory. The factory overheads should be added to the prime cost: a significant number of candidates deducted the factory overheads.

The closing work in progress should have been deducted from the total of the prime cost plus the factory overheads to arrive at the cost of finished goods. This should have been clearly labelled.

(b) The trading account section of an income statement had to be prepared. Once again, there were many good answers.

A number of candidates included the purchases of raw materials instead of the cost of production calculated in Part **(a)**. Another common error was to include the carriage on sales and discount allowed. Some candidates wasted precious time by listing expenses and calculating the profit for the year. This was not required.

(c) The majority of candidates correctly stated that inventory is valued at the lower of cost and net realisable value. Many also identified prudence as the accounting principle being applied.

(d) A number of candidates identified realisation as the principle being applied when credit sales were recorded at the time of sale rather than at the time of payment.

The majority of candidates understood that the business entity principle was applied when personal motor expenses were not recorded in the business records.

Question 2

This question required candidates to write up two ledger accounts involving prepaid income and accrued and prepaid expenses. A statement of corrected profit also had to be prepared.

(a) Using data provided, candidates were required to write up a rent received account. Many candidates did not date the entries within the account: a ledger account without dates is meaningless. The details column should show the name of the account in which the double entry will appear: many candidates used incorrect details. It was expected that candidates would understand that the income for the year should be transferred to the income statement and that the amount prepaid at the end of the financial year should be carried down as a balance.

(b) Many candidates correctly stated that the balance of the rent received account would appear in the current liabilities section of the balance sheet. Most were also able to explain that this was because it was income paid in advance.

(c) Using data provided, candidates were required to write up an advertising expenses account. As in Part **(a)**, errors were made with regard to dates, descriptions, the amount transferred to the income statement and balance carried down.

(d) Candidates were required to indicate the effect on capital employed of charging the full cost of advertising to the current financial year. There were many correct responses, but a significant number of candidates incorrectly indicated that the capital employed would be overstated.

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(e) Details of a number of errors were provided and candidates were required to prepare a statement of corrected profit/loss. This question was very well answered by many candidates. When calculating the corrected profit/loss a number of candidates did not include the amount of $20 (shown in the decrease column) and the original loss for the year of $550.

Question 3

Candidates were required to prepare the appropriation account of a limited liability company, together with balance sheet extracts. Related theory questions were also included.

(a) Most candidates managed to explain that the advantage of limited liability to shareholders is that their liability for the debts of the company is limited to the amount they agree to pay to the company for their shares.

(b) Candidates were required to state two differences between ordinary shares and debentures. Many candidates were able to state one or two facts about ordinary shares or debentures, but these were often un-related points and there was no attempt at comparison. There were also many vague comments such as "debentures are paid first". Such a statement should have been qualified by either a reference to the debenture interest being paid before share dividends, or, that in the event of a winding up, debentures holders are repaid before shareholders.

(c) Using the data provided, an appropriation account for a limited company had to be prepared.

The topic of limited companies has been on the syllabus for a number of years and it is expected that candidates will have a basic understanding of the purpose and layout of an appropriation account. There were some reasonable attempts, but many candidates lost marks because of inadequate labelling of figures. For example, it is not regarded as adequate to label "dividend paid" as simply "ordinary". The retained profit brought forward, the retained profit for the year and the retained profit carried forward were often left without a label. A few candidates incorrectly included the debenture interest and the balance of the general reserve: these should not appear in an appropriation account.

(d) An extract from the balance sheet showing the capital and reserves had to be prepared. A common error was to insert $350 000 for the ordinary share capital instead of the correct figure of $175 000. The general reserve should have been $28 500 (the opening balance plus the amount transferred). The retained profit should have been $21 050 (or the candidate's own closing figure on the appropriation account). A number of candidates included either the opening or closing general reserve. Some included both the opening and closing retained profit figures.

(e) The non-current liabilities section of the balance sheet had to be prepared. The only entry in this section should have been the debentures of $100 000. Many candidates entered $5000 (the debenture interest). Other candidates incorrectly included share capital and dividends.

Question 4

This question concentrated on control accounts. Candidates had to prepare a purchases ledger control account and to list two advantages of such an account. The question also included a theory question, a sales ledger control account and the preparation of journal entries involving purchases and sales ledger accounts.

(a) Candidates were required to state one advantage of dividing the ledger into general ledger, sales ledger and purchases ledger. Many correct responses included comments on easier reference and division of the work of writing up the ledgers. A large number incorrectly believed that dividing the ledger would reduce the number of errors.

(b) Using data provided candidates were required to prepare a purchases ledger control account. There were many wholly correct responses. A number of candidates made incorrect entries for some items such as interest, discount and returns. The balancing of the account at the month end caused some problems. The balance of $160 should have been entered on the credit side and then the account should be balanced by inserting a balancing figure on the debit side. The two closing balances should then be brought down to start the following month.

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(c) Two advantages of maintaining a purchases ledger control account had to be stated. Many candidates provided acceptable answers relating to the location of errors in the purchases ledger and to providing an instant total of trade payables. A number of candidates listed advantages of control accounts in general without relating them specifically to the purchases ledger. Some candidates mistakenly believed that the purchases ledger control account provided the total of the credit purchases, prevented or corrected errors and prevented fraud.

(d) Candidates were required to indicate where three items would be entered in a sales ledger control account. Those candidates who had a thorough knowledge of double entry were able to earn the available marks.

(e) A journal entry, with narrative, had to be prepared to show the entry for charging a credit customer interest on an overdue account. The credit customer should have been debited as he now owes the business more money and an interest receivable account should have been credited. The debit and credit entries were often reversed.

A journal entry, with narrative, had to be prepared to show the transfer of the balance of a sales ledger account to the purchases ledger account of the same person. Many candidates did not use correct account titles (often using just the name of the trader or the name of the ledger). The debit entry should have been made in the account of Ansie (purchases ledger) and the credit entry should have been made in the account of Ansie (sales ledger).

Question 5

This question required candidates to calculate the credit sales, the gross profit, the cost of sales and the rate of inventory turnover. The current and quick ratio (acid test ratio) also had to be calculated. Related theory questions were also included.

(a) Candidates were required to calculate the credit sales for the year. Many candidates produced a correct calculation. Other candidates introduced unconnected items such as bank overdraft and inventory.

(b) Using the data provided and the answer to **(a)**, candidates were required to calculate the gross profit. The mark-up was 25%, so the gross profit should have been 25/125 x the figure of sales from **(a)**. A common error was to use 25/100. Some weaker candidates simply deducted the closing inventory from the sales.

(c) Using the answers to **(a)** and **(b)**, candidates were required to calculate the cost of sales. This could be calculated by deducting the gross profit from the sales or by calculating 100/125 of the sales figure.

(d) A calculation of the rate of inventory turnover was required. This should have been the cost of sales calculated in **(c)** divided by the average inventory. Some candidates reversed the formula. Some stated the formula but were evidently unable to decide on the appropriate figures which should be included.

(e) Candidates were required to suggest two ways in which the rate of inventory turnover could be improved. Many correctly suggested reducing the average inventory and increasing the sales activity. Some candidates hinted at increasing advertising but did not explain the expected outcome of such a policy.

(f) The current ratio had to be calculated. There were many correct answers. A significant number of candidates omitted the petty cash figure from the current assets. A few candidates did not express the answer in ratio format, simply putting 1.65 instead of 1.65:1.

(g) The quick ratio (acid test ratio) had to be calculated. Again, there were many correct answers. Again the petty cash figure was often omitted from the current assets. Again a few candidates did not express the answer in ratio format, simply putting 0.86 instead of 0.86:1. A few candidates incorrectly expressed the answer as either 1:0.86 or 1:1.16.

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(h) Candidates were required to explain why the quick ratio (acid test ratio) is the more reliable indication of liquidity. The majority of candidates explained that inventory is not included in the calculation of the ratio and were also able to explain that inventory is the least liquid of the current assets.

(i) Candidates had to suggest one way in which the quick ratio (acid test ratio) could be improved. There were some acceptable suggestions, but many candidates did not seem to appreciate the effect that transactions would have on both current assets and current liabilities. Common incorrect responses included reducing the bank overdraft, reducing trade payables, reducing trade receivables, increasing credit sales.

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ACCOUNTING

Paper 0452/23

Paper 2

Key Messages

Question 1 required candidates to have a thorough knowledge of preparing a statement of affairs and calculating the profit by comparing the closing capital and the opening capital (as adjusted for drawings and capital introduced). An understanding of the collection period for trade receivables was also required.

To earn full marks on **Question 2** candidates required an understanding of the ledger entries for the purchase, depreciation and disposal of non-current assets. Knowledge of the importance of distinguishing between capital expenditure and revenue expenditure was also required.

To earn the marks on **Question 3** candidates had to prepare an income statement for a service business involving prepayments, accruals, depreciation and loss on disposal. Candidates also had to be able to prepare a capital account. An appreciation of the importance of the return on capital employed (ROCE) was also required.

Question 4 required candidates to have a good knowledge of the accounting records of clubs and societies. Candidates also had to be able to apply knowledge to calculate the purchases for the year and to calculate the profit mark up.

A thorough knowledge of partnership accounts was required by candidates in order to earn the marks in **Question 5**. An understanding of the limitations of financial statements was also required.

General Comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work though questions on past examination papers and appropriate exercises in textbooks.

Many candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed. For example marks were lost when candidates failed to follow an instruction to round up the collection period for trade receivables to the next whole day.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all or the answer and provide another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example a note "please refer to page . . ." or "continued on page . . ." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations should as "MV" for "motor vehicle, "bbd" for "balance brought down", and "P" for "Profit for the year" are not acceptable.

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Comments on Specific Questions

Question 1

This question involved the preparation of a statement of affairs and the calculation of the profit for the year. The calculation of the collection period for trade receivables and related theory questions were also included.

(a) Using the data provided, candidates were required to prepare a statement of affairs of a sole trader. There were many wholly correct responses. A significant number of candidates calculated the net book value of the non-current assets incorrectly. The accumulated depreciation on the fixtures and fittings should have been $2520 (depreciation at the beginning of $7000 – 5600 plus the depreciation for the year of 20% of $5600). The accumulated depreciation on the motor vehicles should have been $7200 (depreciation at the beginning of $12 000 - $6600 plus the depreciation for the year of 15% of $12 000).

The capital should have been clearly labelled

(b) Candidates were then required to calculate the profit for the year, using the closing capital from **(a)**, the opening capital, capital introduced and drawings made during the year. The answer could either be in the form of an arithmetic calculation or in the form of a capital account. Many candidates were awarded full marks.

(c) The collection period for trade receivables had to be calculated. A large number of candidates based their calculation of trade receivables of $3500 rather than the correct figure of $3420 (the trade receivables less the bad debt written off). Other candidates did not round the answer up to the next whole day.

(d) The majority of candidates correctly stated that the trader would not be satisfied with the collection period for trade receivables.

(e) Most candidates successfully explained how the payment period for trade payables may be affected by the collection period for trade receivables

Question 2

The topic of this question was depreciation and disposal of non-current assets. Definitions of capital expenditure and revenue expenditure had to be given. Candidates were also required to explain the effect of two errors on financial statements and to suggest reasons for the change in the gross profit, profit for the year and the business efficiency.

(a) (i) Candidates were required to prepare a ledger account for fixtures. Many candidates earned full marks. A few failed to date the entries in the account and to bring down the closing balance.

Candidates should appreciate that an account for a non-current asset does not include any depreciation: this account is debited with the cost price of assets purchased and credited with the cost price of assets disposed of.

(ii) A provision for depreciation of fixtures account had to be prepared. Once again, many candidates earned full marks. Some accounts contained undated entries. This account should show the depreciation for each year transferred to the income statement, with the depreciation to date being brought down as a credit balance at the start of each financial year.

A large number of candidates did not show the breakdown of the depreciation for the year ended 31 July 2012. Where the figure was correct the candidate earned the two marks available: where the figure was incorrect the candidate lost both the available marks. If calculations had been shown one of the marks may have been awarded. The depreciation on the fixtures purchased on 1 December 2011 should have been 25% x $1440 x 8 months: many candidates charged a whole year's depreciation.

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(b) Candidates were required to complete a table naming the accounts to be debited and credited for transactions associated with the disposal of fixtures. Whilst many candidates earned marks, other candidates did not seem familiar with the topic of disposal of non-current assets.

(c) An explanation of the difference between capital expenditure and revenue expenditure was required. Most candidates explained that capital expenditure was money spent on the purchase of non-current assets and revenue expenditure was money spent on the running of the business from day-to-day. A few candidates simply provided examples: this was not regarded as a satisfactory answer to the question.

(d) Candidates were informed that the premises account had been debited with $3000 of which $300 was for repairs and $2700 was for improvements.

The effect of the error on the profit for the year has to be stated. The majority of candidates understood that the profit would be overstated by $300 as an expense had been omitted from the income statement.

The effect of the error on the capital employed at the end of the year had to be stated. Many candidates understood that the capital employed would be overstated by $300 as the non-current assets included an item of revenue expenditure.

(e) (i) Candidates had to suggest one reason for the increase in the gross profit as a percentage of revenue. There were many acceptable responses. Some candidates incorrectly suggested an increase in the quantity of goods sold or a decrease in the quantity of goods purchased.

(ii) Candidates had to suggest one reason for the decrease in the profit for the year as a percentage of revenue. Most candidates correctly suggested an increase in expenses.

(iii) An explanation of the change in the efficiency of the business was required. Only a few candidates were able to relate the control of the expenses to the efficiency of the business.

Question 3

Using information provided, candidates were required to prepare an income statement and a capital account of a sole trader. The question also included a calculation of the return on capital employed (ROCE) and some related theory questions.

(a) A few candidates attempted to prepare a trading account: this is not required for a service business.

Many candidates lost marks because they provided incorrect figures for fees, rent received and wages. If calculations had been included some of the available marks may have been awarded. Candidates are reminded that the proceeds of sale of a non-current asset should not be included in an income statement: only the profit or loss on disposal should be included. The depreciation charge should have been for only three months: many candidates incorrectly charged a whole year's depreciation.

(b) Candidates were required to prepare a sole trader's capital account. The majority of candidates correctly entered the opening balance and the drawings for the year. A common error was to omit the profit for the year. Some candidates did not date the entries in the account and some failed to bring down the balance on 1 November 2012.

(c) Using the closing balance on the capital account in **(b)** and the profit for the year calculated in **(a)**, candidates were required to calculate the return on capital employed (ROCE). Many candidates successfully used their own figures from **(a)** and **(b)** and were awarded an own figure answer mark.

Common errors included using the opening capital figure and not showing the answer correct to two decimal places.

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(d) Candidates were informed that some errors had been discovered after the preparation of the financial statements. They were asked to indicate the effect of these errors on the capital employed and to give a reason for their answer. A number of candidates only stated the effect on either the capital employed or the profit for the year but not both.

The omission of drawings would mean that the return on capital employed (ROCE) would increase as the capital employed decreased but the profit remained the same.

The omission of the purchase of a motor vehicle would not affect the return on capital employed (ROCE) as neither the profit nor the capital employed would change.

Question 4

This question was based on the accounts of clubs and societies. Candidates had to prepare a receipts and payments account and to answer related theory questions. Using details provided, a calculation of the purchases for the year was required, together with calculations of the profit and the mark-up. Many candidates appear to find Parts **(f), (g)** and **(h)** difficult.

(a) The question required candidates to prepare a receipts and payments account. A number of candidates lost marks as they attempted to prepare a statement of money received and money paid rather than an account.

Common errors included the omission of the proceeds of sale of equipment, the subscriptions prepaid and the insurance relating to the following year. All money paid and received is recorded in an income and expenditure account – irrespective of the period to which it relates and irrespective whether it is capital or revenue.

(b) Candidates had to state the section of the balance sheet in which the bank balance would appear. The final balance of the receipts and payments showed an overdrawn balance, so this would appear in the current liabilities.

(c) Most candidates managed to explain that subscriptions were the amounts paid by members of a club or society to use the facilities provided by the club.

(d) Many candidates correctly explained that the purchase of equipment would not be included in the income and expenditure account as this is a non-current asset and would appear in the balance sheet.

(e) Many candidates were able to explain that, applying the matching/accruals principle, only the insurance for the year would appear in the income and expenditure account and the balance would be carried forward to the following year.

(f) Candidates were required to calculate the purchases for the year. The answer could either be in the form of an arithmetic calculation or in the form of a total trade payables account. A common error was to omit the payments to suppliers of $2840 which was included in the data at the beginning of the question.

(g) The profit for the year had to be calculated by deducting the answer to **(f)** from the given figure of cash sales.

(h) Candidates were required to compute the percentage mark-up. This should have been the answer to **(g)** expressed as a percentage of the answer to **(f)**.

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Question 6

The topic of this question was partnership accounts. Journal entries had to be prepared involving the capital and current accounts of partners. Candidates then had to answer theory questions related to partnerships. The last section of the question related to the limitations of financial statements.

(a) Candidates were required to prepare two journal entries, with narratives. There were many correct responses.

When preparing entries in partnership accounts it is important not only to distinguish between the partners but also to distinguish between the capital and current account of each partner.

(b) A balance sheet extract had to be prepared. It was expected that candidates would show the balance of each partner's capital and current account at the date of the balance sheet. It was not necessary to write all the full details of the current accounts as these were provided in the question. A common error was to show the balance of Tun's current account as a positive balance and that of Min as a negative balance.

(c) Most candidates were able to explain that the debit balance on Tun's current account represented the amount he owed the business.

(d) The majority of candidates correctly suggested one reason why one of the partners was credited with a partnership salary.

(e) Most candidates were able to explain why interest is charged on partners' drawings.

(f) Candidates were required to calculate the percentage rate of interest on capital. The opening capital of each partner was $47 000: many candidates selected incorrect capital figures.

(g) Two limitations of financial statements had to be explained. Many candidates were able to provide two satisfactory answers.

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