eduresourceza.com

Downloaded from eduresourceza.com

ACCOUNTING

Paper 0452/11
Paper 11

Key messages

It is essential to lay down a good grounding in the principles of double entry including the use of journals and ledger accounts. Clear narratives are important. In ledger accounts, they should reflect the other ledger account the entry refers to and not the action of the entry. If a candidate does not write in the required space they should state the page they have used instead. Clear handwriting is important and it is better to cross out incorrect work and re-write rather than attempt to over write numbers. As always workings are important. Multiple choice answers should be marked clearly in the boxes provided and not next to the actual letter.

General comments

All the questions on the paper were compulsory and covered various topics on the syllabus. Overall, the paper was well attempted by a number of candidates. There were some exceptional scripts and these candidates seemed to be well prepared.

Comments on specific questions

Question 1

Generally (**a**), **(b)**, **(c)**, **(d)**, **(e)** and **(h)** were well answered. Parts **(f)**, **(g)**, **(i)** and **(j)** warrant more detailed comments.

(f) This question involves both prepaid fees and fees owing. The key is what they should be receiving. So, the prepaid at the start of the year is part of this year's income and then the fees owing at the end are also relevant and therefore need including and adding to the amount actually received.

(g) Some candidates did not subtract the salary of $9000 before they split the profit. The opening debit balance means that the opening current balance is essentially negative.

(i) In this question because it was the increase in work in progress involved rather than the opening and the closing work in progress.

(j) Many candidates were able to identify that the cost of sales was higher in year 2, hence the lower gross profit to revenue percentage. Regarding expenses, the profit for the year to revenue percentage has indeed decreased in year 2 but proportionately not by as much as the gross profit to revenue percentage. This indicates that the expenses were actually lower.

Question 2

(a) Generally well answered.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(b) Some candidates put ticks in the columns. Any question that requires ticks will clearly state that. Some issues observed included:

- Bank and loan reversed
- Office fixtures listed as purchases
- Bank rather than cash
- Computer (or similar) rather than sales and printer (or similar) rather than purchases. The stem clearly states that Evie sells computers and computer accessories

(c) Some candidates gave vague answers about checking for accuracy rather than stating something more exact, such as 'to check the arithmetic accuracy of the double entry'.

(d) Generally answered well. Almost all candidates gained some marks on this question but some need to work on their understanding of provision for depreciation and sales returns.

(e) Some candidates provided definitions rather than examples. Some candidates need to work on their understanding of the compensating error. Some issues observed included:

- The example was too vague
- Example was related to error or principle rather than commission
- Example was incorrect because the trial balance wouldn't still balance, for example, sales overcast by $100 and purchases undercast by $100
- Example to illustrate omission indicated an account or an amount had been omitted from the trial balance
- Sometimes the example for compensating error was actually a reversal of entry

(f) Generally well answered with the majority gaining two marks.

(g) Most candidates gained marks on this question. A common error was to regard the charge for delivering motor vehicle as revenue expenditure rather than capital expenditure.

Question 3

(a) Stronger responses gained 11 or 12 marks, whereas others struggled to gain marks because of complete reversal or entering all transactions on both sides. Some issues observed included:

- Incorrect dates
- Omission of discounts or incorrect calculation
- Incorrect figure for cash deposited
- Poor narratives such as contra instead of bank or cash
- Balancing off discount columns instead of totalling
- Not showing balance b/d of cash as $20

(b) Some issues in candidates' responses included:

- Poor labelling of balance per bank statement or balance per cash book
- Failure to identify negative or credit balance
- Lack of labels for amounts added or subtracted
- Incorrect amounts included
- No response

(c) Generally very well answered. Most gave idea of sharing work or easy reference.

(d) Generally answered well. Most candidates gained three or four marks on this question. Some candidates need to work on their understanding of the purchases account.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

Question 4

(a) It was heartening to see that stronger candidates regularly gained 12 or more marks since double entry is the basis of accounting.

Some issues observed in the responses to this question included:
- Lack of dates
- Carrying balances down rather than transferring to the income statement
- Incorrect narratives for example, bank rather than total for month on the debit side of the discount allowed account
- Omission of entries
- Income statement should be on its own without 'transfer to' at the start
- In Gary's account cash $90 labelled as bank
- Balances not brought down or if brought down labelled as c/d

(b) Generally answered well.

(c) There were some really excellent answers that made two points concisely, for example, 'the collection period has decreased and this has improved cash flow' which was worth two marks. However, other answers included too much emphasis on the change in the payment period.

(d) This was mainly answered well although some candidates assumed that cash sales had to be paid in notes and coins, which is not necessarily true.

Question 5

(a) Candidates who used a sales ledger control account generally achieved six marks (or five marks if they missed an entry or placed it on the incorrect side). In other responses, some candidates knew which items to include but then treated them incorrectly by adding or subtracting when the opposite was needed.

(b) The stronger candidates gained seven marks but other responses included rather poor presentation at times. Some issues observed in this question included:
- Lack of narrative or poor narratives such as COS and GP
- Entries omitted such as the opening inventory
- No recognition of destroyed inventory
- Including aliens such as expenses within the trading account

(c) (i) Many stronger candidates gained full marks for their answer. In other responses, the following issues were observed:
- Incorrect formula used or incorrect figures
- Incorrect rounding
- Just stating formula

(ii) Generally answered well but a number of candidates re-worded the question or stated the formula.

(d) Most candidates gained marks on this question, and the stronger ones usually gained full marks.

Question 6

(a) Many candidates provided a clear presented statement. In some other responses, the following issues were observed:
- Poor narratives such as transfer to general reserve rather than just general reserve
- Incorrect figures
- Omission of adjustments
- No mention of 5 per cent for debentures
- Debentures included with other items
- Attempts made at a statement of changes in equity instead

(b) (i) Largely well-answered with the stronger answers clearly identifying that the shareholders were owners of the business.

(ii) Some candidates did not know what limited liability was whilst others gave a clear definition.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(c) (i) Some candidates used the word share when they meant dividend; care needs to be taken with terminology.

(ii) A common issue observed in the responses to this question was to assume that both debenture holders and preference shareholders receive dividends or interest, and not that debentures receive interest and preference shareholders receive dividends. However, most candidates knew that it was a fixed rate. The priority for payment during liquidation was often given correctly.

(d) Some candidates did not realise that the impact on profit was not immediate but in the next financial year. Moreover, the majority who did know that a decrease in profit would be the outcome of proposal 1 omitted the $3000, which was needed to gain the mark.

(e) This was mainly well answered but some candidates lost a mark because they displayed their answer as 1.72 rather than 1.72 : 1.

(f) Some candidates need to focus on studying the types of actions that will affect ratios.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

ACCOUNTING

Paper 0452/12
Paper 12

Key messages

Candidates should always have a guess at multiple choice questions and never offer 'no response'.

As always, when preparing ledger accounts labels such as BBD and BD are unacceptable. Ideally balance b/d or c/d should be written.

Labelling items is extremely important when preparing income statements or statements of financial position. Again, abbreviations such as COGS for cost of goods sold or GP and NP for gross profit and profit are not acceptable.

Candidates should always indicate where they may have re-written an answer in a different section of the answer booklet or on additional pages.

General comments

The paper was well attempted by a number of candidates. However, the main causes for candidates not being awarded marks relates to the key messages above and will be commented on below. The questions which were particularly well attempted were **Question 3(a)** where a large number of candidates were awarded full marks and **(d)** where marks were generally only lost for poor annotation rather than principle. Candidates struggled with **Question 4(c)** to **(f)**, **Question 5(g)** and **(h)** and **Question 6(b)** and **(c)**.

Comments on specific questions

Question 1

This question comprised ten multiple choice items. There were only a few instances where candidates made no attempt at a particular answer. It is mentioned each time, but worth repeating, never leave an answer blank in this type of question. A guess may be correct and gain a mark.

Specific questions caused more difficulty than others. They are discussed below.

(e) Many candidates did not understand the necessary components for capital employed and included the non-current liabilities.

(h) Candidates were clearly unsure as to which value to use for the individual product.

(j) Another question involving a calculation. It may be worth candidates drawing a time line to aid their understanding.

Question 2

(a) Many candidates did not understand the meaning of an opening journal entry. The common mark for this question was 2 or 3 for the assets and the loan although marks were lost here if the loan was not identified as from Amina. The entry for capital was rare and many candidates did not understand that the journal should balance. Narratives were mainly omitted and in many cases were given for individual entries.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(b) On the whole this was well answered with the majority of candidates understanding the purpose of a narrative in a journal entry.

(c) Pleasing to see that many candidates were able to provide two uses of the general journal by providing specific examples e.g. bad debts, depreciation. Many candidates suggested the selling/purchasing of non-current assets but did not specify that this would be on credit. However this question was problematic for many candidates who confused control accounts and the general ledger. Common answers included checking for errors. Sharing out the work or reducing the number of entries in the ledger. There were other incomplete answers where candidates suggested transactions not to do with sales or purchases.

(d) Many excellent responses to this question with a large number of candidates following through the sequence of transactions and gaining full marks. Weaker candidates identified the initial transaction but did not specify the payment mechanism. The transaction for drawings was the least understood where candidates failed to identify that cash was withdrawn for personal use.

(e) This was not well answered with a variety of principles suggested.

(f) This is a regular question so it was disappointing to see that only a small number of candidates were awarded for assets, merely suggesting it is what the business owns and omitting it is also what is owed to the business. There were a high number of correct answers for liabilities. However, again, capital proved problematic to many with offering just the money put into the business and omitting mention of the owner.

(g) There were a variety of answers offered here. Sadly there were few candidates awarded full marks. Often this was because candidates only mentioned assets and liabilities omitting capital or did not specify that the statement of financial position was prepared on a specific date.

Question 3

(a) This question was the best answered on the paper with a large number of candidates awarded full marks. The balances which caused some problems were the bank overdraft, inventory and discount allowed. Some candidates, disappointingly, did not total the trial balance which lost them one mark.

(b) On the whole this question was well answered with many candidates suggesting it is where transactions are first entered. However, some candidates repeated the question, quoting day books or were clearly mistaken for ledgers.

(c) Many candidates, pleasingly, gained 3 marks for this question. Marks were generally lost for the discount received and interest charged by credit suppliers. Unfortunately some candidates referred to ledgers or a control account.

(d) As referred to earlier this question was well handled by a large number of candidates. Marks were mainly lost due to incorrect annotation of bank/cash and the contra. Many candidates recognised the discount allowed was the missing figure and were awarded for identifying this. Unfortunately a small number identified the discount allowed as a debit indicating poor knowledge. Other candidates omitted the given carried down balances thereby losing the marks for the brought down balances. A relatively small number of candidates reversed entries which resulted in an alarmingly large figure for discount allowed which, unfortunately, did not alert candidates to the fact there may some incorrect entries.

(e) This question was generally well answered with many candidates able to give two benefits of maintaining a sales ledger control account. The most common answers were reference to fraud and locating errors. Less successful candidates suggested the control account was helpful in identifying all transactions in connection with sales.

Question 4

(a) This question was well attempted in the majority of cases. The most common incorrect answers were for the goods for resale and the proceeds of sale of non-current assets.

(b) This question was very well answered.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(c) Unfortunately, despite candidates achieving well in **(a)** and **(b)** it did not continue to **(c)** as this was one of the most poorly answered questions. Disappointingly this question produced a large number of No Responses (NRs). Some candidates entered the total figure for purchases instead of just the adjustment and many reversed the entries. Many candidates, having entered the adjustments failed to then extract an adjusted profit.

(d) This question proved to be the most problematic. Many candidates failed to identify the given opening figure ($3600) for the balance brought down. A common answer for the provision for depreciation on the disposal was $600 which would have been the provision for two years indicating candidates misinterpreted the information given on the depreciation policy. Only a small number of candidates correctly calculated the provision for the year although it was pleasing to see that a large number brought down a balance to the following year. There was a mixed attempt at providing the dates of the transactions with the common omission being the relevant years.

(e) This question was dealt with slightly better than **(d)**. Marks were generally not awarded through incorrect annotation of entries rather than incorrect principle. The most common incorrect entry was naming sales or proceeds for the bank.

(f) It was disappointing to see that many candidates did not seem to understand the requirement of the question. Only a small number of candidates calculated the correct cost of office equipment commonly showing $9 000 or $11500. Many then did not use their brought down figure from **(d)** for the accumulated provision for depreciation. Most candidates were awarded the mark for the net book value.

(g) This was correctly answered by the majority of candidates.

Question 5

(a) This question was handled very well in the majority of cases. The most common error was in treating the Supervisor wages as direct labour.

(b) Disappointing to see that despite this question being asked regularly there were many incorrect answers. Many candidates gave the calculation for raw materials and there were many answers which gave direct costs with no specific identification.

(c) Pleasing to see that there were many well-prepared candidates in this area of the syllabus and who gained full marks. Marks were generally lost due to poor or incorrect annotation or constituents of the manufacturing account in the wrong section of the account. Less successful candidates deducted overheads or included revenue in the calculation. The treatment of the opening and closing work in progress was very well handled.

(d) This question, too, was generally well handled and the majority of candidates recognised that the statement was for the trading section and extracted the Gross Profit. The most common mistake was in omitting the production cost from **(c)** or the purchases of finished goods. Weaker candidates reused the figures for the manufacturing account and attempted to calculate the gross profit in the trading account.

(e) Most candidates were able to suggest two very valid reasons for a manufacturing company to purchase finished goods. The most common answer being that it is cheaper than making the particular goods. Candidates must be careful not to repeat themselves in this type of question.

(f) Many candidates were able to give the correct principle although a small number did state ‘the lower of cost and net realisable value’.

(g) This is a question that is also asked on a regular basis and candidates still have difficulty with identifying why there are changes in performance calculations. Common answers include reduced sales or lower revenue rather than activity. Studying the components of the calculation for the inventory will reinforce the reasons for changes in performance.

(h) This question was unsuccessfully answered mainly due to candidates not reading the information at the start of the question. A small number of candidates did recognise they were comparing with

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

a different industry and were able to give reasonable suggestions for the differences but many candidates just reversed their answers from **(g)**.

Question 6

(a) Many candidates correctly calculated the cafe profit and were awarded full marks. Marks were generally lost due to not deducting wages and a small number of candidates included alien items for example subscriptions or competition receipts. Less successful candidates did not understand the components needed to calculate the cost of sales.

(b) This was also one of the questions where candidates were not fully prepared. Indeed many did not understand the format for the income and expenditure account and commonly showed the competition as an income and an expense. The subscriptions were incorrectly calculated and candidates should be encouraged to show all workings to have the optimum opportunity of gaining marks. It was pleasing to see that many candidates did include the cafe profit from **(a)** although a few gave the cafe income. In the expenses, most candidates correctly adjusted the rent and the general expenses although the calculation for depreciation clearly caused problems. It was common to see a figure of $650 and an entry for purchases of fixed assets of $7600. Less successful candidates included the figures relevant to the cafe for example wages. Finally, many candidates did not provide the correct label for the deficit/surplus.

(c) This question required the candidates to provide three differences between the receipts and payments account and the income and expenditure account so it was disappointing that many candidates made valid points about each of the accounts but then did not provide a comparison. For example, a common statement would be that the income statement showed a surplus/deficit and the income and expenditure account did not whereas what is required is that the receipts and payments account shows a closing balance. Less successful candidates often repeated what is in the title, for example, the income and expenditure account contains income and expenditure.

(d) This question was generally well attempted with many appropriate suggestions. Some answers were too vague, suggesting things like 'make more sales' without specifying how. Less successful candidates misinterpreted the question and made suggestions for the club as a whole rather than the cafe.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

ACCOUNTING

Paper 0452/13
Paper 13

Key messages

It is essential to lay down a good grounding in the principles of double entry including the use of journals and ledger accounts. Clear narratives are important. In ledger accounts, they should reflect the other ledger account the entry refers to and not the action of the entry. If a candidate does not write in the required space they should state the page they have used instead. Clear handwriting is important and it is better to cross out incorrect work and re-write rather than attempt to over write numbers. As always workings are important. Multiple choice answers should be marked clearly in the boxes provided and not next to the actual letter.

General comments

All the questions on the paper were compulsory and covered various topics on the syllabus. Overall, the paper was well attempted by a number of candidates. There were some exceptional scripts and these candidates seemed to be well prepared.

Comments on specific questions

Question 1

Generally (**a**), **(b)**, **(c)**, **(d)**, **(e)** and **(h)** were well answered. Parts **(f)**, **(g)**, **(i)** and **(j)** warrant more detailed comments.

(f) This question involves both prepaid fees and fees owing. The key is what they should be receiving. So, the prepaid at the start of the year is part of this year's income and then the fees owing at the end are also relevant and therefore need including and adding to the amount actually received.

(g) Some candidates did not subtract the salary of $9000 before they split the profit. The opening debit balance means that the opening current balance is essentially negative.

(i) In this question because it was the increase in work in progress involved rather than the opening and the closing work in progress.

(j) Many candidates were able to identify that the cost of sales was higher in year 2, hence the lower gross profit to revenue percentage. Regarding expenses, the profit for the year to revenue percentage has indeed decreased in year 2 but proportionately not by as much as the gross profit to revenue percentage. This indicates that the expenses were actually lower.

Question 2

(a) Generally well answered.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(b) Some candidates put ticks in the columns. Any question that requires ticks will clearly state that. Some issues observed included:

- Bank and loan reversed
- Office fixtures listed as purchases
- Bank rather than cash
- Computer (or similar) rather than sales and printer (or similar) rather than purchases. The stem clearly states that Evie sells computers and computer accessories

(c) Some candidates gave vague answers about checking for accuracy rather than stating something more exact, such as 'to check the arithmetic accuracy of the double entry'.

(d) Generally answered well. Almost all candidates gained some marks on this question but some need to work on their understanding of provision for depreciation and sales returns.

(e) Some candidates provided definitions rather than examples. Some candidates need to work on their understanding of the compensating error. Some issues observed included:

- The example was too vague
- Example was related to error or principle rather than commission
- Example was incorrect because the trial balance wouldn't still balance, for example, sales overcast by $100 and purchases undercast by $100
- Example to illustrate omission indicated an account or an amount had been omitted from the trial balance
- Sometimes the example for compensating error was actually a reversal of entry

(f) Generally well answered with the majority gaining two marks.

(g) Most candidates gained marks on this question. A common error was to regard the charge for delivering motor vehicle as revenue expenditure rather than capital expenditure.

Question 3

(a) Stronger responses gained 11 or 12 marks, whereas others struggled to gain marks because of complete reversal or entering all transactions on both sides. Some issues observed included:

- Incorrect dates
- Omission of discounts or incorrect calculation
- Incorrect figure for cash deposited
- Poor narratives such as contra instead of bank or cash
- Balancing off discount columns instead of totalling
- Not showing balance b/d of cash as $20

(b) Some issues in candidates' responses included:

- Poor labelling of balance per bank statement or balance per cash book
- Failure to identify negative or credit balance
- Lack of labels for amounts added or subtracted
- Incorrect amounts included
- No response

(c) Generally very well answered. Most gave idea of sharing work or easy reference.

(d) Generally answered well. Most candidates gained three or four marks on this question. Some candidates need to work on their understanding of the purchases account.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

Question 4

(a) It was heartening to see that stronger candidates regularly gained 12 or more marks since double entry is the basis of accounting.

Some issues observed in the responses to this question included:
- Lack of dates
- Carrying balances down rather than transferring to the income statement
- Incorrect narratives for example, bank rather than total for month on the debit side of the discount allowed account
- Omission of entries
- Income statement should be on its own without 'transfer to' at the start
- In Gary's account cash $90 labelled as bank
- Balances not brought down or if brought down labelled as c/d

(b) Generally answered well.

(c) There were some really excellent answers that made two points concisely, for example, 'the collection period has decreased and this has improved cash flow' which was worth two marks. However, other answers included too much emphasis on the change in the payment period.

(d) This was mainly answered well although some candidates assumed that cash sales had to be paid in notes and coins, which is not necessarily true.

Question 5

(a) Candidates who used a sales ledger control account generally achieved six marks (or five marks if they missed an entry or placed it on the incorrect side). In other responses, some candidates knew which items to include but then treated them incorrectly by adding or subtracting when the opposite was needed.

(b) The stronger candidates gained seven marks but other responses included rather poor presentation at times. Some issues observed in this question included:
- Lack of narrative or poor narratives such as COS and GP
- Entries omitted such as the opening inventory
- No recognition of destroyed inventory
- Including aliens such as expenses within the trading account

(c) (i) Many stronger candidates gained full marks for their answer. In other responses, the following issues were observed:
- Incorrect formula used or incorrect figures
- Incorrect rounding
- Just stating formula

(ii) Generally answered well but a number of candidates re-worded the question or stated the formula.

(d) Most candidates gained marks on this question, and the stronger ones usually gained full marks.

Question 6

(a) Many candidates provided a clear presented statement. In some other responses, the following issues were observed:
- Poor narratives such as transfer to general reserve rather than just general reserve
- Incorrect figures
- Omission of adjustments
- No mention of 5 per cent for debentures
- Debentures included with other items
- Attempts made at a statement of changes in equity instead

(b) (i) Largely well-answered with the stronger answers clearly identifying that the shareholders were owners of the business.

(ii) Some candidates did not know what limited liability was whilst others gave a clear definition.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(c) (i) Some candidates used the word share when they meant dividend; care needs to be taken with terminology.

(ii) A common issue observed in the responses to this question was to assume that both debenture holders and preference shareholders receive dividends or interest, and not that debentures receive interest and preference shareholders receive dividends. However, most candidates knew that it was a fixed rate. The priority for payment during liquidation was often given correctly.

(d) Some candidates did not realise that the impact on profit was not immediate but in the next financial year. Moreover, the majority who did know that a decrease in profit would be the outcome of proposal 1 omitted the $3000, which was needed to gain the mark.

(e) This was mainly well answered but some candidates lost a mark because they displayed their answer as 1.72 rather than 1.72 : 1.

(f) Some candidates need to focus on studying the types of actions that will affect ratios.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

ACCOUNTING

Paper 0452/21
Paper 21

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded credit.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some credit may be earned even though the final answer may be incorrect.

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

Candidates should avoid the use of inappropriate abbreviations such as 'b/d' for 'balance' in ledger accounts and 'PFDD' for 'Provision for doubtful debts'.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit' etc.

It is also important that candidates present their figures clearly and that their written work is legible.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all questions and were familiar with the correct format of financial statements.

The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day to day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in the account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

(a) (i) and (ii) Most candidates were able to correctly state the purpose of a debit note but only a minority of candidates knew that no entry would be made in the accounts of the credit customer.

(b) (i) This was well answered with most candidates correctly stating the purpose of a statement of account.

(ii) The better-prepared candidates were able to correctly explain that a statement of account is 'a summary of the transactions that have already been recorded'. There were a variety of answers

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

that were not fully developed ranging from 'not part of the double entry' or 'just a summary of transactions' but did not clarify that the transactions had previously been recorded.

(c) (i) This was answered well and most candidates knew the reason why trade discount is granted.

(ii) Again, this was well-answered with the majority of candidates correctly stating why cash discount is allowed. However, there were still some answers that were not specific enough focusing on 'paying earlier' rather than paying promptly or within the 30 days allowed.

(iii) and (iv) Most candidates successfully calculated the amount of the cheque to settle the account and named the ledger in which the supplier's account would be maintained

(d) Candidates were required to prepare a purchase journal and purchases returns journal, to total each journal and to indicate the ledger account to which the total would be transferred. This question proved to be difficult for many candidates. However, most candidates were able to calculate the correct figures, but the presentation was often incorrect. Some common mistakes were:

- Answers presented as journal entries with debit and credit entries and both sides totalled.
- Incorrect wording against the entries.
- No wording to accompany the totals that were being transferred to the purchases and purchases returns accounts.
- Extraneous items included such as payments made and discount received.

(e) Candidates were asked to complete three ledger accounts. Most candidates made a reasonable attempt to prepare the supplier's account but very few were able to successfully prepare the purchases and purchases returns accounts.

In the purchases and purchases returns accounts, candidates did not appreciate that the entries should be the 'totals for the month' from the respective journals and incorrectly re-entered the individual transactions naming the suppliers. Candidates did not appreciate that the main purpose of maintaining these journals is to reduce the entries in the ledger. Also, the entries were frequently entered on the wrong side of the accounts.

Although candidates had a better understanding of the entries required in the supplier's account, there were also a few common errors:

- Purchases and puchases returns incorrectly labelled as sales and sales returns.
- Discount received incorrectly calculated.
- Discount received incorrectly labelled as discount allowed.

(f) The question asked candidates to name the accounting principle that had **not** been applied in three given situations. There were very few totally correct responses. Most candidates had a clear understanding of the principles that had not been applied to items one and three but the revaluation of the premises proved much more difficult with most candidates incorrectly stating prudence rather than money measurement as the principle which had not been applied.

Question 2

(a) The question required candidates to state one advantage for maintaining a petty cash book. 'Reduces the number of entries in the main cash book' was a common correct answer. However, some candidates appeared not to have understood the question and provided answers that were advantages to maintaining an imprest system as opposed to a petty cash book.

(b) Candidates were required to show the entries relating to petty cash which would be made in the cleaning account. The better-prepared candidates were able to earn full marks but they were in the minority. This was not well answered with most candidates incorrectly writing "cleaning materials" rather than "petty cash" on the debit side. The credit entry was frequently omitted.

(c) Whilst there were some wholly correct answers, many candidates provided incorrect responses. The most common incorrect answer was to 'debit the ledger account' and 'credit petty cash' but candidates did not clarify which ledger account should be debited. It is important that candidates

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

understand, that in this type of question, accounts must be referred to using the exact account name and whether that account would be debited or credited.

(d) Candidates were asked to state the double entry for restoring the imprest on 1 August 2018. This was tackled reasonably well and most candidates correctly named the debit and credit entries. However, the amount of the imprest proved more difficult as candidates did not include the refund for faulty cleaning materials in their calculations.

(e) Using data provided, candidates were required to complete the commission receivables account and to balance the account bringing down any balances on 1 August 2018. Most candidates made a good attempt at this question and achieved at least three of the four marks available. Common errors included:

- The balance brought down either did not match the balance carried down figure or it was on the wrong side of the account.
- Incorrect dates or dates missing.
- Not transferring the balancing figure on the account to the income statement.

(f) Candidates were asked to complete the combined rates and insurance account for the year and to balance the account and bring down the balances on 1 August 2018. There was a wide range of marks achieved on this question with the well-prepared candidates providing a perfect answer. Common errors included:

- The balance brought down either did not match the balance carried down figure or it did not distinguish between insurance and rates.
- Incorrect dates or dates missing.
- The drawings incorrectly deducted from the bank entry for insurance rather than shown as a separate entry.
- The two bank entries incorrectly labelled as insurance and rates.
- Showing two individual transfers to the income statement rather than one combined figure.

(g) Most candidates had a good understanding of the meaning of objectivity and earned full marks. However, there were instances where candidates described other accounting principles, the most common being ‘going concern’.

Question 3

(a) This question required candidates to prepare the income statement for a service business. This was well answered but there were very few candidates who achieved full marks. The main reasons were:

- Fees from clients were not adjusted correctly for amounts owing and/or the fees were incorrectly labelled as revenue.
- Expenses not adjusted for the items listed in the additional information.
- Extraneous items included in the expenses, for example ‘drawings’.
- Incorrect calculations for depreciation and provision for doubtful debts.
- Incomplete narratives shown for depreciation when the assets were not named
- Profit for the year incorrectly labelled as ‘surplus’.

(b) This was answered well. Most candidates correctly identified three items that may appear in the income statement of a trading business but would not appear in the income statement of a service business.

(c) The better-prepared candidates were able to achieve full marks and provide two acceptable reasons why the bank manager would be interested in the business’ financial statements. However, some weaker answers incorrectly suggested that ‘it was to assess the amount of interest to charge the business’ and/or ‘to decide whether to grant a loan’ rather than the ability to repay the loan/interest on the loan.

(d) Candidates were asked to name two **other** interested parties who may wish to see the business’ financial statements. Although this was answered well by most candidates, there were some incorrect responses relating to companies and partnerships rather a sole trader e.g. partners, debenture holders, shareholders etc.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

Question 4

(a) Most candidates achieved one of the two marks available correctly stating that a suspense account is opened 'to balance the trial balance'. Common unacceptable responses included 'locate errors', 'correct errors', and 'prevent fraud'.

(b) Three errors were described and candidates were asked to prepare journal entries to correct these errors.

Some common errors included:

Error 1 – not realising that the suspense account needed to be debited by double the amount or that both the rent receivable and rent payable accounts had to be credited to correct the error.

Error 2 – not stating the correct account name for the debit entry and writing 'purchase of office equipment' rather than the actual account name.

Error 3 – including a debit entry against 'trial balance' or incorrectly debiting the suspense account rather than crediting it. Candidates did not appreciate that this type of error only requires a credit entry to the suspense account, and no debit entry, as the actual petty cash balance was correct and had just been omitted from the trial balance.

Some candidates did not provide any narrative for their journal entries. Other candidates simply described the journal entry in word form rather than stating the reason for the journal entry.

(c) Using data provided, candidates were asked to suggest two reasons for change in the percentage of gross profit to revenue over two years. Many candidates incorrectly focused on higher sales and/or lower cost of sales not recognising that a change in volume of activity would not necessarily produce a change in the gross profit margin. This question provided good differentiation as the better-prepared candidates were able to demonstrate their understanding by focusing on 'increasing selling prices' and 'obtaining cheaper supplies'.

(d) Candidates had to state the year that the business had better control of its expenses and to give a reason for their answer. The majority of candidates correctly identified the year as 2017 but did not appreciate that this was shown by the change in the percentage of expenses to revenue.

(e) This section asked candidates to suggest two ways in which the percentage of profit to revenue could be improved. Most candidates recognised that a reduction or better control of expenses would achieve the required outcome but very few candidates were able to provide a second acceptable suggestion.

Question 5

(a) The question required candidates to suggest two advantages of maintaining separate capital and current accounts for each member of a partnership business. Most of the answers were not specific to maintaining separate current and capital accounts and could equally apply to maintaining a combined capital and current account e.g. 'to see the amount of drawings taken by each partner' or 'to see the amount of profit earned by each partner'. Only the better-prepared candidates were able to demonstrate that they understood why two separate accounts should be maintained for each partner.

(b) Using data provided, candidates were asked to complete the current accounts of two partners and to bring down the balances on 1 September 2018. This was well attempted with many candidates achieving full marks. Common errors included:

- Reversal of entries.
- An incorrect profit figure shared between the partners with many candidates using the profit for the year before appropriations.
- Profit share omitted from the current accounts.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(c) Candidates were asked to prepare a statement of financial position of a partnership business. This was done well. There were some common errors that prevented candidates from achieving full marks. These were:

- No subtotals for each of the sections within the statement of financial position.
- Not netting the provision for doubtful debts against the trade receivables figure.
- No sub-totals shown for the capital and current account values.
- Starting with the closing balance on the current accounts and repeating the adjustments from the current account. In this circumstance it was clear that candidates had not fully read the question because they were told to insert the current account balances from part **(b)** as full details of the current accounts were not required.

(d) This question was less successfully answered on the whole. Candidates were asked to state why Mark, one of the partners, would not be in agreement with a proposal made by the other partner, Ella, to stop charging interest on drawings. Although most candidates recognised that Ella had more drawings than Mark, very few were able to expand on this. A common mistake was to describe the purpose of interest on drawings without relating it to the specific scenario.

(e) Candidates were asked to state two factors that the manager of the business should consider before accepting an invitation to join the partnership. Most candidates made a reasonable attempt at this with answers focusing on the profit sharing ratio and the amount of capital that he might have to invest.

Question 6

(a) This was reasonably well attempted with most candidates recognising that prime cost includes direct materials plus direct labour plus direct expenses.

(b) The question asked candidates to name two items that may be included in factory overheads. Answers were often vague. Candidates generally focused on expenses that would be included in overheads such as rent, rates, Supervisor's wages, depreciation etc. but did not qualify their answers by specifying that these were factory items e.g. factory rent, wages of factory Supervisors etc.

(c) Most candidates calculated the gross profit correctly from the figures given in the question. However, there were some candidates who then went on to add the gross profit to their costs and provide an incorrect answer of $43 800 ($36 500 cost + $7300 gross profit).

(d) Candidates were asked to suggest two ways in which the owner of the business could obtain additional finance to purchase a new machine. Most candidates knew that a bank loan would be an option but did not specify 'long term loan'. The most common incorrect answers were sell shares or use retained earnings (when these options would only be available to a company), invest additional capital (the question stated that the owner could invest $5 000) and bank overdraft (which is not an acceptable option for the purchase of a non-current asset).

(e) Most candidates made a good attempt at this question and successfully calculated the estimated total cost of production and gross profit. However, as in Part **(c)** some candidates incorrectly added their gross figure to their production cost which resulted in an incorrect final answer.

(f) Many responses to this question were less successful and generally repeated the information provided in the question. Very few referred to the calculations in Parts **(c)** and **(e)** and it was rare to find a candidate who appreciated that the information relating to the purchase of the new machines consisted of estimates which may be subject to change.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

Candidates should read through the questions very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. Marks cannot be awarded for a factually correct statement which is not the answer to the question being asked.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some of the available marks may be earned even though the final answer may be incorrect.

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

Candidates should avoid the use of inappropriate abbreviations such as "b/d" for "balance" in ledger accounts, "GP" for "Gross Profit" and "I on C" for "interest on capital" in financial statements.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of "old" terminology such as "stock" and "net profit".

It is also important that candidates present their figures clearly and that that their written work is legible.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all questions.

It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day to day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in ledger accounts, attention must be paid to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

(a) (i) The vast majority of candidates understood that the credit balance in the cash book represented a bank overdraft.

(ii) Most candidates understood that the entry in the cash book on 2 July was required in order to restore the petty cash balance to the imprest amount. A few candidates incorrectly tried to describe the imprest system and some incorrectly believed that the payment from the cash was actually a payment for small expenses.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(iii) The correct answer of 3% was given by the majority of candidates. A few incorrectly calculated $18 as a percentage of the amount actually received ($582) rather than on the total amount of the debt ($600).

(iv) One reason for a cheque being dishonoured was required. Common correct responses included inadequate funds in the bank, no signature or the amount in words being different to the amount in figures. A few answers such as "There was an error" were far too vague to merit a mark being awarded.

(v) Candidates were required to explain an entry in the cash book. It was expected that candidates would recognise this as a contra entry involving cash being transferred to the bank account. A small number of candidates incorrectly believed that cash was being withdrawn from the bank account. It was not regarded as adequate to simply state that the bank was debited and the cash was credited with $450.

(vi) On 29 July the trader received cash from sales, of which $880 was paid into the bank account. Some candidates incorrectly stated that $220 represented cash sales and $880 represented credit sales. Other candidates did not identify the origin of the money.

(b) The closing balances on the cash book had to be calculated and candidates had to identify the section of the statement of financial positon in which these would appear. Many candidates earned all the available marks.

(c) Using the information in the cash book candidates were required to prepare the sales account and the account of a credit supplier.

A number of candidates incorrectly include extraneous items in the sales account such as the proceeds of sales of machinery. Some used an incorrect description for the cash/bank item. At the end of the financial period the sales account should be transferred to the income statement.

Some candidates also included extraneous items in the account of the credit supplier. The discount of $8 was sometimes omitted or incorrectly described as discount allowed. At the end of the financial period the account of a supplier should be balanced and the balance brought down to start the following period.

(d) The preparation of a discount allowed account, proved somewhat problematic. The first entry on the debit side should have been the total to date of $178. The total for the month of $18, as shown in the cash book, should have also been debited. At the end of the year the account should have been closed by a transfer to income statement. Common errors included complete reversal, inclusion of discount received, incorrect descriptions and balancing of the account at the year end.

Question 2

(a) The meaning of three terms connected with bad debts had to be stated. Many candidates provided suitable answers and earned the available marks. Other candidates provided rather imprecise answers. "Amount owing which is not paid by the end of the year" was a common incorrect response for bad debts. For the bad debts recovered, some candidates simply rephrased the heading and stated "bad debts which are recovered" which was not an adequate explanation. A number incorrectly described a provision as an amount of money set aside.

(b) The account of a credit customer and a bad debts account had to be completed. A very common error was to show the amount received as $0.20 instead of $114, resulting in an incorrect amount written off as a bad debt. Using the own figure rule, many candidates were able to earn the marks available for the bad debts account.

(c) (i) Candidates had to state one advantage to a trader of not selling on credit terms. This action would mean that cash would be available immediately and there would be no bad debts.

(ii) One disadvantage of not offering credit terms was required. Most candidates appreciated that this may result in customers going to other suppliers.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

(d) Two ways (excluding stopping selling on credit) to reduce the risk of bad debts had to be stated. Many candidates earned the available marks. Others provided incomplete or vague answers such as “charge interest” which was not regarded as sufficient.

(e) A provision for doubtful debts account had to be prepared. Some candidates understood what was required and earned good marks. Other candidates found the topic difficult. A common error was to include the opening and closing trade receivables. Entries were often un-dated.

(f) Many candidates found it difficult to explain how the accruals (matching) principle is applied in maintaining a provision for doubtful debts. A number managed to explain how the income for the year is matched with the expenses of the same period, but they did not relate this to the provision for doubtful debts.

(g) Two accounting principles (excluding accruals (matching)) applied when maintaining a provision for doubtful debts had to be named. The principle of prudence was a common correct answer, but candidates often struggled to name a second appropriate principle.

(h) Candidates had to name the accounts to be debited and credited when a bad debt is recovered. Many earned the available marks but others suggested that the credit would be to the bad debts account.

(i) The effect on the profit for the year of a bad debts recovered had to be stated. Most candidates understood that the profit would increase but did not state the amount of the increase.

Question 3

(a) Journal entries to record changes to the capital of partners had to be prepared. A very common error was not distinguishing between the partners and simply putting “capital account” or “current account” without adding the name of the partner.

(b) Most candidates knew the correct presentation of a partnership appropriation account. Common errors included the incorrect calculation of the interest on capital of both partners and the salary of Paul. There were a few instances of items added when they should have been deducted and vice versa.

(c) Using the data in the question and the items in the appropriation account prepared in Part **(b)**, most candidates were able to prepare the current account of Paul. A few included extraneous items such as motor vehicle, and cash introduced.

Question 4

(a) This proved to be a very difficult question. Candidates had to complete a table to indicate how issuing debentures would affect current assets, total profit and total equity. Even those candidates who did understand the effect, did not earn the available marks as they used a tick (✓) rather than an amount of money (even though the first two columns were headed with a dollar sign).

(b) Many candidates would have benefitted from further study on the different types of shares in a limited company. Those who did appreciate how the ordinary shareholders would be affected by an issue of preference shares, often provided to be vague answers which were not worth of a mark. Examples of these unacceptable answers included “preference shares are paid first” and “ordinary shareholders receive their money later”.

(c) The effects on existing ordinary shareholders of an issue of additional ordinary shares had to be stated. As with Part **(b)**, candidates struggled to provide acceptable answers. Again further study on the topic of shares would have been beneficial. Many struggled to explain that the dividend per share may reduce and that there is a dilution in ownership/voting rights.

(d) Candidates showed a very poor understanding of a general reserve and incorrectly believed that it represents actual money. Consequently they were unable to provide a correct answer as to why the general reserve is not available as a means of raising funds for expansion.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

Some candidates appreciated that a bank overdraft is a current liability and not a suitable means of raising long-term funds. Many incorrectly concentrated on the consequences of not repaying an overdraft.

(e) It was expected that candidates would suggest long-term sources of funds such as loans, mortgage, selling non-current assets, and so on. Many candidates referred to a loan but did not specify long-term. Others incorrectly referred to issue of shares and fund-raising.

Question 5

(a) Using data provided, candidates were required to calculate four ratios. There were some excellent answers with many candidates earning full marks. Some candidates did not show the answers to two decimal places or rounded up to the next whole day. A few candidates deducted the inventory from the total of the trade receivables and the cash instead of from the total current assets.

(b) Two reasons for the change in the current ratio were required. Many answers were very vague and did not specify changes to named current assets and current liabilities. Some candidates incorrectly suggested changes to selling prices.

(c) A table had to be completed to indicate the effect of four courses of action on the current ratio. There was a wide range of marks.

(d) Candidates were required to explain why the quick (acid rest) ratio is a more reliable indicator of liquidity than the current ratio. The majority understood that it is because inventory is excluded from the calculation, but many did not offer any further comment so were not able to earn both the available marks.

(e) The change in the quick (acid test) ratio had to be commented on. Most candidates correctly interpreted the change in the ratio, but did not offer any further relevant comment on the consequences of this.

(f) The change in the trade receivables collection period had to be commented on. Once, again most candidates correctly interpreted the change in the ratio but did not provide a comment about the consequences of this.

(g) (i) Candidates were required to suggest one advantage of the change in the trade payables payment period. Many correctly stated that the trader had the use of the money for other purposes for longer than previously. Others incorrectly stated that the credit suppliers had allowed the trader a longer credit period.

(ii) One disadvantage of the change in the trade payables payment period was required. Many candidates understood that cash discount would not be earned, interest may be charged and the relationship with suppliers may be damaged.

Question 6

(a) Using information provided, candidates were required to calculate a trader's total purchases for the year. An arithmetic calculation or a ledger account was equally acceptable. Those candidates producing a ledger account seemed to appreciate the relationship between the figures better than those producing a calculation. The most common error was to include the purchases of non-current assets. Other errors included items treated incorrectly, especially returns and discount, and the inclusion of extraneous items such as cash sales.

(b) A bank account had to be prepared in order to calculate the expenses for the year. In an account it is important to use the correct wording. For example "Purchase of non-current assets" is not the name of an account. A common error was to label the $30 000 as "balance" instead of "capital" and label "non-current assets" as "purchases". A number of candidates included extraneous items such as the purchases for the year (calculated in Part **(a)**) and the amounts unpaid at the end of the year.

(c) An income statement for a sole trader had to be prepared. There was a wide range of marks. It was common to find extraneous items such as capital (instead of revenue), either purchase of non-current assets or payments to credit suppliers (instead of the purchases calculated in Part **(a)**). The

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

purchases returns were often omitted: where they were included it was rare to find them actually deducted from the purchases. The gross profit was $9700 (20% of the revenue). Candidates were expected to work back to the missing figure of closing inventory. An own figure mark was available but some did not earn this as the amount was not arithmetically correct. Discount received was sometimes omitted and was sometimes included in the trading account section rather than the profit and loss section of the statement. Most candidates did include the expenses calculated in Part **(b)** but omitted to include the year-end accrual.

(d) Many candidates provided only partially correct responses as they did not explain that margin is the gross profit as a percentage of the sales (revenue) and mark-up is gross profit as a percentage of cost of sales.

eduresourceza.com

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

ACCOUNTING

Paper 0452/23
Paper 23

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded credit.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some credit may be earned even though the final answer may be incorrect.

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

Candidates should avoid the use of inappropriate abbreviations such as 'b/d' for 'balance' in ledger accounts and 'PFDD' for 'Provision for doubtful debts'.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit' etc.

It is also important that candidates present their figures clearly and that their written work is legible.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all questions and were familiar with the correct format of financial statements.

The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day to day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in the account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

(a) (i) and (ii) Most candidates were able to correctly state the purpose of a debit note but only a minority of candidates knew that no entry would be made in the accounts of the credit customer.

(b) (i) This was well answered with most candidates correctly stating the purpose of a statement of account.

(ii) The better-prepared candidates were able to correctly explain that a statement of account is 'a summary of the transactions that have already been recorded'. There were a variety of answers

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

that were not fully developed ranging from 'not part of the double entry' or 'just a summary of transactions' but did not clarify that the transactions had previously been recorded.

(c) (i) This was answered well and most candidates knew the reason why trade discount is granted.

(ii) Again, this was well-answered with the majority of candidates correctly stating why cash discount is allowed. However, there were still some answers that were not specific enough focusing on 'paying earlier' rather than paying promptly or within the 30 days allowed.

(iii) and (iv) Most candidates successfully calculated the amount of the cheque to settle the account and named the ledger in which the supplier's account would be maintained

(d) Candidates were required to prepare a purchase journal and purchases returns journal, to total each journal and to indicate the ledger account to which the total would be transferred. This question proved to be difficult for many candidates. However, most candidates were able to calculate the correct figures, but the presentation was often incorrect. Some common mistakes were:

- Answers presented as journal entries with debit and credit entries and both sides totalled.
- Incorrect wording against the entries.
- No wording to accompany the totals that were being transferred to the purchases and purchases returns accounts.
- Extraneous items included such as payments made and discount received.

(e) Candidates were asked to complete three ledger accounts. Most candidates made a reasonable attempt to prepare the supplier's account but very few were able to successfully prepare the purchases and purchases returns accounts.

In the purchases and purchases returns accounts, candidates did not appreciate that the entries should be the 'totals for the month' from the respective journals and incorrectly re-entered the individual transactions naming the suppliers. Candidates did not appreciate that the main purpose of maintaining these journals is to reduce the entries in the ledger. Also, the entries were frequently entered on the wrong side of the accounts.

Although candidates had a better understanding of the entries required in the supplier's account, there were also a few common errors:

- Purchases and puchases returns incorrectly labelled as sales and sales returns.
- Discount received incorrectly calculated.
- Discount received incorrectly labelled as discount allowed.

(f) The question asked candidates to name the accounting principle that had **not** been applied in three given situations. There were very few totally correct responses. Most candidates had a clear understanding of the principles that had not been applied to items one and three but the revaluation of the premises proved much more difficult with most candidates incorrectly stating prudence rather than money measurement as the principle which had not been applied.

Question 2

(a) The question required candidates to state one advantage for maintaining a petty cash book. 'Reduces the number of entries in the main cash book' was a common correct answer. However, some candidates appeared not to have understood the question and provided answers that were advantages to maintaining an imprest system as opposed to a petty cash book.

(b) Candidates were required to show the entries relating to petty cash which would be made in the cleaning account. The better-prepared candidates were able to earn full marks but they were in the minority. This was not well answered with most candidates incorrectly writing "cleaning materials" rather than "petty cash" on the debit side. The credit entry was frequently omitted.

(c) Whilst there were some wholly correct answers, many candidates provided incorrect responses. The most common incorrect answer was to 'debit the ledger account' and 'credit petty cash' but candidates did not clarify which ledger account should be debited. It is important that candidates

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

understand, that in this type of question, accounts must be referred to using the exact account name and whether that account would be debited or credited.

(d) Candidates were asked to state the double entry for restoring the imprest on 1 August 2018. This was tackled reasonably well and most candidates correctly named the debit and credit entries. However, the amount of the imprest proved more difficult as candidates did not include the refund for faulty cleaning materials in their calculations.

(e) Using data provided, candidates were required to complete the commission receivables account and to balance the account bringing down any balances on 1 August 2018. Most candidates made a good attempt at this question and achieved at least three of the four marks available. Common errors included:

- The balance brought down either did not match the balance carried down figure or it was on the wrong side of the account.
- Incorrect dates or dates missing.
- Not transferring the balancing figure on the account to the income statement.

(f) Candidates were asked to complete the combined rates and insurance account for the year and to balance the account and bring down the balances on 1 August 2018. There was a wide range of marks achieved on this question with the well-prepared candidates providing a perfect answer. Common errors included:

- The balance brought down either did not match the balance carried down figure or it did not distinguish between insurance and rates.
- Incorrect dates or dates missing.
- The drawings incorrectly deducted from the bank entry for insurance rather than shown as a separate entry.
- The two bank entries incorrectly labelled as insurance and rates.
- Showing two individual transfers to the income statement rather than one combined figure.

(g) Most candidates had a good understanding of the meaning of objectivity and earned full marks. However, there were instances where candidates described other accounting principles, the most common being ‘going concern’.

Question 3

(a) This question required candidates to prepare the income statement for a service business. This was well answered but there were very few candidates who achieved full marks. The main reasons were:

- Fees from clients were not adjusted correctly for amounts owing and/or the fees were incorrectly labelled as revenue.
- Expenses not adjusted for the items listed in the additional information.
- Extraneous items included in the expenses, for example ‘drawings’.
- Incorrect calculations for depreciation and provision for doubtful debts.
- Incomplete narratives shown for depreciation when the assets were not named
- Profit for the year incorrectly labelled as ‘surplus’.

(b) This was answered well. Most candidates correctly identified three items that may appear in the income statement of a trading business but would not appear in the income statement of a service business.

(c) The better-prepared candidates were able to achieve full marks and provide two acceptable reasons why the bank manager would be interested in the business’ financial statements. However, some weaker answers incorrectly suggested that ‘it was to assess the amount of interest to charge the business’ and/or ‘to decide whether to grant a loan’ rather than the ability to repay the loan/interest on the loan.

(d) Candidates were asked to name two **other** interested parties who may wish to see the business’ financial statements. Although this was answered well by most candidates, there were some incorrect responses relating to companies and partnerships rather a sole trader e.g. partners, debenture holders, shareholders etc.

Downloaded from eduresourceza.com

Cambridge Assessment International Education
© 2018

Downloaded from eduresourceza.com

Question 4

(a) Most candidates achieved one of the two marks available correctly stating that a suspense account is opened 'to balance the trial balance'. Common unacceptable responses included 'locate errors', 'correct errors', and 'prevent fraud'.

(b) Three errors were described and candidates were asked to prepare journal entries to correct these errors.

Some common errors included:

Error 1 – not realising that the suspense account needed to be debited by double the amount or that both the rent receivable and rent payable accounts had to be credited to correct the error.

Error 2 – not stating the correct account name for the debit entry and writing 'purchase of office equipment' rather than the actual account name.

Error 3 – including a debit entry against 'trial balance' or incorrectly debiting the suspense account rather than crediting it. Candidates did not appreciate that this type of error only requires a credit entry to the suspense account, and no debit entry, as the actual petty cash balance was correct and had just been omitted from the trial balance.

Some candidates did not provide any narrative for their journal entries. Other candidates simply described the journal entry in word form rather than stating the reason for the journal entry.

(c) Using data provided, candidates were asked to suggest two reasons for change in the percentage of gross profit to revenue over two years. Many candidates incorrectly focused on higher sales and/or lower cost of sales not recognising that a change in volume of activity would not necessarily produce a change in the gross profit margin. This question provided good differentiation as the better-prepared candidates were able to demonstrate their understanding by focusing on 'increasing selling prices' and 'obtaining cheaper supplies'.

(d) Candidates had to state the year that the business had better control of its expenses and to give a reason for their answer. The majority of candidates correctly identified the year as 2017 but did not appreciate that this was shown by the change in the percentage of expenses to revenue.

(e) This section asked candidates to suggest two ways in which the percentage of profit to revenue could be improved. Most candidates recognised that a reduction or better control of expenses would achieve the required outcome but very few candidates were able to provide a second acceptable suggestion.

Question 5

(a) The question required candidates to suggest two advantages of maintaining separate capital and current accounts for each member of a partnership business. Most of the answers were not specific to maintaining separate current and capital accounts and could equally apply to maintaining a combined capital and current account e.g. 'to see the amount of drawings taken by each partner' or 'to see the amount of profit earned by each partner'. Only the better-prepared candidates were able to demonstrate that they understood why two separate accounts should be maintained for each partner.

(b) Using data provided, candidates were asked to complete the current accounts of two partners and to bring down the balances on 1 September 2018. This was well attempted with many candidates achieving full marks. Common errors included:

- Reversal of entries.
- An incorrect profit figure shared between the partners with many candidates using the profit for the year before appropriations.
- Profit share omitted from the current accounts.

Downloaded from eduresourceza.com

Downloaded from eduresourceza.com

(c) Candidates were asked to prepare a statement of financial position of a partnership business. This was done well. There were some common errors that prevented candidates from achieving full marks. These were:

- No subtotals for each of the sections within the statement of financial position.
- Not netting the provision for doubtful debts against the trade receivables figure.
- No sub-totals shown for the capital and current account values.
- Starting with the closing balance on the current accounts and repeating the adjustments from the current account. In this circumstance it was clear that candidates had not fully read the question because they were told to insert the current account balances from part **(b)** as full details of the current accounts were not required.

(d) This question was less successfully answered on the whole. Candidates were asked to state why Mark, one of the partners, would not be in agreement with a proposal made by the other partner, Ella, to stop charging interest on drawings. Although most candidates recognised that Ella had more drawings than Mark, very few were able to expand on this. A common mistake was to describe the purpose of interest on drawings without relating it to the specific scenario.

(e) Candidates were asked to state two factors that the manager of the business should consider before accepting an invitation to join the partnership. Most candidates made a reasonable attempt at this with answers focusing on the profit sharing ratio and the amount of capital that he might have to invest.

Question 6

(a) This was reasonably well attempted with most candidates recognising that prime cost includes direct materials plus direct labour plus direct expenses.

(b) The question asked candidates to name two items that may be included in factory overheads. Answers were often vague. Candidates generally focused on expenses that would be included in overheads such as rent, rates, Supervisor's wages, depreciation etc. but did not qualify their answers by specifying that these were factory items e.g. factory rent, wages of factory Supervisors etc.

(c) Most candidates calculated the gross profit correctly from the figures given in the question. However, there were some candidates who then went on to add the gross profit to their costs and provide an incorrect answer of $43 800 ($36 500 cost + $7300 gross profit).

(d) Candidates were asked to suggest two ways in which the owner of the business could obtain additional finance to purchase a new machine. Most candidates knew that a bank loan would be an option but did not specify 'long term loan'. The most common incorrect answers were sell shares or use retained earnings (when these options would only be available to a company), invest additional capital (the question stated that the owner could invest $5 000) and bank overdraft (which is not an acceptable option for the purchase of a non-current asset).

(e) Most candidates made a good attempt at this question and successfully calculated the estimated total cost of production and gross profit. However, as in Part **(c)** some candidates incorrectly added their gross figure to their production cost which resulted in an incorrect final answer.

(f) Many responses to this question were less successful and generally repeated the information provided in the question. Very few referred to the calculations in Parts **(c)** and **(e)** and it was rare to find a candidate who appreciated that the information relating to the purchase of the new machines consisted of estimates which may be subject to change.

Downloaded from eduresourceza.com