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ACCOUNTING

Paper 0452/11
Paper 11

Question Number	Key	Question Number	Key	Question Number	Key
1	A	13	C	25	A
2	D	14	A	26	D
3	D	15	A	27	D
4	B	16	C	28	D
5	B	17	D	29	A
6	A	18	C	30	C
7	A	19	A	31	B
8	D	20	D	32	B
9	A	21	B	33	B
10	B	22	C	34	D
11	D	23	C	35	B
12	C	24	C		

Key messages

Candidates should be familiar with all the topics on the syllabus and have a thorough understanding of accounting.

It is important that candidates read each question very carefully to ensure that they have a clear understanding of what is required before selecting an option on the answer sheet.

General comments

Those candidates who possessed a good understanding of double entry bookkeeping were able to select the correct key to many questions on the paper. In many questions, drafting a 'T' account could have assisted candidates to calculate the correct key.

Comments on specific questions

Question 3

The vast majority of candidates understood that the drawings account is debited when the owner of a business takes goods for personal use, but many did not appreciate that these goods would be taken at cost price. The Key was **D**.

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Question 5

When goods are returned, the amount of the credit note is equal to the original amount charged for the returned items, which is the list price less any trade discount. The Key was **B**.

Question 6

Any transaction which is not recorded in another book of prime entry is recorded in the general journal before being posted to the ledger. The purchase of flour would be recorded in the purchases journal and the returns from a customer would be recorded in the sales returns journal. Correction of an error and the purchase of a non-current asset on credit would be recorded in the general journal.

Question 7

A credit note is received when goods previously purchased are returned, so it is recorded in the purchase returns journal. At the end of the month the total is transferred to the credit of the purchases returns account.

Question 9

Candidates had to select the incorrect statement about a purchases ledger control account. The statistics indicate a degree of guesswork. Options **B**, **C** and **D** are correct statements. The Key was **A** as the purchases ledger control account acts as a check on the accounts in the purchases ledger not on the purchases account.

Question 11

If capital expenditure is treated as revenue expenditure, the cost of the non-current assets will be understated. This will also affect the depreciation for the year as the calculation would be made on an incorrect figure. The Key was **D**.

Question 12

One of the reasons for charging depreciation on non-current assets is to apply the matching principle so that the cost is spread over the expected life of the asset. One of the consequences of this is that the non-current assets appear at book value in the statement of financial position: but that is an outcome of charging depreciation, not a reason for charging it.

Question 13

This required an understanding of a disposal account. The preparation of a 'T' account would have assisted candidates to calculate the 'missing' figure of depreciation of $3774 on the credit side.

Question 14

The majority of candidates calculated that the rent receivable for the year was $3400. Those candidates with an understanding of double entry understood that this would be debited to the rent receivable account and credited to the income statement (Option **A**).

Question 18

A service business does not buy and sell goods and does not earn a gross profit, so the trading section of an income statement cannot be prepared. Such a business may, however, earn a profit for the year. The Key was **C**.

Question 26

The majority of candidates understood that the trader had earned a profit but were unsure how to treat the drawings for the year. The preparation of a capital account would have shown a credit entry of $60 500 for the opening balance and debit entries of the $3900 (drawings) and $72 275 (closing balance carried down). The 'missing' figure on the credit side of $15 675 represented the profit for the year.

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Question 27

The preparation of a 'T' account for the total trade receivables would have assisted in the calculation of the 'missing' figure for credit sales for the year. The opening balance should appear on the credit side and the cheques received, discount allowed and closing balance carried down would appear on the credit side. The difference between the debit and credit sides ($30 700) would represent the credit sales.

Question 28

The preparation of the trading section of an income statement would have assisted candidates to calculate the purchases for the year. Where a mark-up of 25 per cent is applied the revenue must represent 125 per cent. This means that the gross profit was $24 000 and the cost of sales was $96 000. The cost of sales is calculated by adding the purchases to the opening inventory and deducting the closing inventory. The purchases amounted to $96 600.

Question 30

The formula for the calculation of rate of inventory turnover is cost of sales divided by average inventory. The correct amount of average inventory was $250 ($100 + $400 ÷ 2). Many candidates did not appreciate that if the value of the closing inventory increased the cost of sales would decrease. The cost of sales was $2300. The Key was **C**.

Question 31

The current ratio compares the current assets with the current liabilities. Option **A** is incorrect as this refers to liabilities, not just current liabilities. Y may have fewer current assets than X but may also have fewer current liabilities, so Option **C** is incorrect. Y may have more inventory than X but may have lower trade receivables/cash/bank and more current liabilities, so Option **D** is incorrect. The Key was **B**.

Question 33

Many candidates did not appreciate that this question was based on the going concern principle. Usually, non-current assets are shown at their net book value in the statement of financial position. However, when it is known that the business will cease to operate in the near future, the asset values are adjusted so that they represent their expected sale value. The Key was **B**.

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ACCOUNTING

Paper 0452/12
Paper 12

Question Number	Key	Question Number	Key	Question Number	Key
1	A	13	D	25	D
2	D	14	B	26	A
3	A	15	C	27	B
4	A	16	C	28	B
5	B	17	C	29	D
6	B	18	B	30	A
7	C	19	D	31	C
8	B	20	C	32	D
9	C	21	C	33	C
10	A	22	D	34	B
11	D	23	D	35	B
12	C	24	D		

Key messages

Candidates should be familiar with all the topics on the syllabus and have a thorough understanding of accounting.

It is important that candidates read each question very carefully to ensure that they have a clear understanding of what is required before selecting an option on the answer sheet.

General comments

Those candidates who possessed a good understanding of double entry bookkeeping were able to select the correct key to many questions on the paper. In many questions the drafting of a 'T' account could have assisted candidates to calculate the correct key.

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Comments on specific questions

Question 4

Machinery costing $12 000 had been purchased on credit during the year. Abdul owed machinery suppliers $19 000 at the start of the year and paid them a total of $25 000 during the year. This meant that the amount owing at the year-end was $6000. A significant number of candidates incorrectly deducted the amount paid from the closing balance on the machinery account.

Question 6

When goods are returned, the amount of the credit note is equal to the original amount charged for the returned items, which is the list price less any trade discount. The Key was **B**.

Question 8

The cash book has a dual function: it acts as a book of prime entry and as a ledger account for cash and bank. Statements 1 and 3 are correct. The Key was **B**. The discount columns in the cash book are not part of the double entry system, they are used for convenience to make a note of discount at the time an account is paid or received.

Question 9

A trial balance is a list of ledger balances at a certain date which can assist in finding arithmetical errors and is useful in preparing financial statements. The trial balance is not part of the double entry system. The Key was **C**.

Question 11

The statistics indicate a degree of uncertainty on the journal entry required to correct an error. A cheque received from Shakeel was credited to the account of Shamz. To correct this error, it is necessary to credit Shakeel's account and debit Shamz's account (Option **D**).

Question 12

The bank statement showed an overdraft. On that date there were unpresented cheques so the cash book would show a larger overdraft, as these cheques had already been credited in the business's cash book. The cash book would show a smaller overdraft as amounts deposited had been debited to the cash book. The cash book would show a credit balance brought down on 1 May of $1590.

Question 15

Capital expenditure consists of amounts spent on non-current assets and these will appear in the statement of financial position. Any costs of acquiring these assets such as legal costs, carriage and installation costs are also regarded as capital expenditure. Expenses relating to non-current assets include the costs of maintaining and operating the non-current assets: these are regarded as revenue expenditure.

Question 16

Crediting the sales account with the proceeds of selling equipment means that the gross profit is overstated by $250 and the profit for the year would be overstated by the same amount. No record was made of the profit on sale: this would not affect the gross profit, but the profit for the year would be understated by $50. The overall effect would be that the gross profit was overstated by $250 and the profit for the year overstated by $200. The Key was **C**.

Question 17

One of the reasons for charging depreciation on non-current assets is to apply the matching principle so that the cost is spread over the expected life of the asset. One of the consequences of this is that the non-current assets appear at book value in the statement of financial position: but that is outcome of charging depreciation not a reason for charging it.

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Question 18

Preparing a disposal account would have assisted candidates to calculate the cash received from the sale of a machine. The cost price of $10 000 would appear on the debit, the depreciation ($2000) and the loss on disposal ($700) on the credit. The 'missing' figure of $7300 represents the proceeds of sale. The net decrease in the cash was $5100 (cost of the new machine less the proceeds of sale).

Question 19

There was a considerable degree of uncertainly on this question. Using the principle of materiality, a bakery business would regard the cost of stationery purchased during the financial year as an expense. It would not be cost-effective to value the stationery left at the end of the financial year and record it as an asset.

Question 22

This question proved to be much more difficult than anticipated. Most candidates appreciated that a sole trader would not have retained earnings. However, many candidates did not appreciate that James, an accountant, would not have any trade payables at the end of the financial year as he does not buy and sell goods. Only the long-term loan would appear in James's statement of financial position.

Question 26

This question should have been straightforward. The residual profit was $11 000 (profit for the year less the interest on capital) so Ben's share was $5500. Some candidates divided the profit for the year between the partners. A few candidates added the interest on capital to the profit for the year instead of deducting it. A significant number of candidates incorrectly added the drawings to the profit for the year before deducting the interest on capital. Interest on drawing is added to the profit for the year but drawings are not recorded in the appropriation account.

Question 27

A receipts and payments account includes all monies paid and received during the financial year and the balance represents cash and bank balances. It does not show the surplus for the year. The Key was **B**.

Question 29

The majority of candidates understood that the trader had earned a profit but were unsure how to treat the drawings for the year. The preparation of a capital account would have shown a credit entry of $60 500 for the opening balance and debit entries of the $3900 (drawings) and $72 275 (closing balance carried down). The 'missing' figure on the credit side of $15 675 would represent the profit for the year.

Question 32

A short-term loan and an increase in the bank overdraft will not improve the working capital position. The introduction of extra capital or a long-term loan will improve the working capital position. The Key was **D**.

Question 33

The information does not state the amounts of profit and cost of sales, so Options **A** and **D** are incorrect. Option **B** is incorrect as Company X has the better gross margin. The percentage of expenses to revenue of Company X was 31.3 per cent and the percentage of expenses to revenue of Company Y was 37.2 per cent so the Key was **C**.

Question 34

The current ratio compares the current assets with the current liabilities. Option **A** is incorrect as this refers to liabilities, not just current liabilities. Y may have fewer current assets than X but may also have fewer current liabilities, so Option **C** is incorrect. Y may have more inventory than X but may have lower trade receivables/cash/bank and more current liabilities, so Option **D** is incorrect. The Key was **B**.

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ACCOUNTING

Paper 0452/13
Paper 13

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

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ACCOUNTING

Paper 0452/21
Paper 21

Key messages

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

It is very important that candidates write their answers clearly. There were a significant number of scripts which were very difficult to read as words and figures were badly written.

Calculations should be shown where it is appropriate such as calculating ratios. Some of the available marks may be awarded for these calculations even though the final answer is not correct.

The spaces provided on the question paper for candidates' answers should be adequate. Most of the candidates who required additional space correctly gave the page number where the rest of the answer was to be found. This ensured that the additional work was not overlooked when the script was marked.

Candidates should avoid the use of inappropriate abbreviations such as GP, COGS, C of P in financial statements and b/d and BBD in ledger accounts.

Most candidates seemed to be familiar with International Accounting Terminology but were not penalised if 'old' terminology was used.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. It is therefore important that candidates have studied all the topics on the syllabus.

All the day-to-day financial records of a business are based on double entry bookkeeping. Those candidates who had a good knowledge of double entry were able to apply this to various scenarios. It is important to remember that entries must contain the correct dates and details in addition to the figures.

Candidates are expected to use the correct format for year-end financial statements. Those candidates who understood the format required for financial statements were able to earn high marks. Some candidates did not seem familiar with partnership appropriation accounts and manufacturing accounts.

The paper contained three questions where candidates were required to discuss a given scenario and recommend a course of action. Candidates are advised to think carefully before attempting this type of question and consider the points they want to make in order to construct a coherent response. The good answers set out the points in favour of the course of action, the points against, and provided a clear recommendation.

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Comments on specific questions

Question 1

(a) Candidates were required to prepare the cash book of a trader. Many candidates were able to earn reasonable marks. Common errors included –

- Inappropriate details such as 'paid insurance' rather than the name of the account where the double entry would be made.
- Inaccurate entries for the cash sales paid into the bank.
- Incorrect details for the proceeds of disposal of equipment which would have been credited to the disposal account and not the account of Burgess.
- Omission or incorrect calculation of the two items of discount received.
- Balancing or incorrectly totalling the discount column.
- Not considering the opening balances when calculating the month-end balances.
- Not appreciating that it is impossible to have a credit balance on the cash column.

(b) Most candidates were able to earn three of the four available marks by correctly identifying whether items would be used to update the cashbook or would appear in the bank reconciliation statement

(c) Candidates were required to advise a trader whether or not to apply for a bank loan which could be used to pay off the bank overdraft and purchase new office furniture. Some candidates merely explained the difference between a loan and an overdraft. Many repeated the data in the question relating to paying off the overdraft and purchasing new furniture. The better candidates listed the disadvantages of interest charged and the repayment of the loan. Many candidates did not identify any advantages. A significant number of candidates did not provide a clear recommendation of whether or not the trader should apply for a loan

Question 2

(a) Using the data provided, candidates were required to prepare an income statement for a partnership. Many candidates earned high marks. Common errors included –

- Use of inappropriate abbreviations such as COGS, GP and so on.
- Cost of sales items listed in the wrong order.
- Commission incorrectly adjusted, omitted or listed in the expenses.
- Omission of discount allowed and loan interest.
- Incorrect calculation of rates and insurance, and depreciation.
- Inclusion of extraneous items such as assets, liabilities and appropriation account items.

(b) This required the preparation of a partnership appropriation account. It appears that many candidates were unfamiliar with such an account and offered current accounts and statement of financial position extracts. Many other candidates were able to earn most of the available marks. Common errors included –

- Not starting with the profit for the year calculated in the income statement.
- Including extraneous items such as loan interest and current account balances.
- Use of inappropriate abbreviations such as I on C.
- Omission of the names of the partners.

(c) (i) The majority of candidates understood the purpose of charging interest on drawings. Some incorrectly stated that interest would prevent partners making drawings.

(ii) Only a small number of candidates recognised interest on loan as being a reward to John for lending money to the business. Many believed it was to encourage partners to make loans to the business and some incorrectly believed that the partnership had given the loan to John

(d) Candidates were required to complete a table indicating which statements described advantages of being in a partnership. Most candidates earned good marks.

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Question 3

(a) Using data provided, candidates were required to prepare the rent and rates account of a manufacturing business. The majority of candidates did not appear to be familiar with preparing the account of an expense which had to be split between the factory and the office. The principles are exactly the same as those applied when preparing a ledger account for an office expense, except that the year-end transfer is split between the manufacturing account and the income statement. Common errors included –

- Not appreciating that the amount paid already included the $3600.
- Omitting to bring down the prepaid amount of $1200.
- Not dividing the expense for the year between the manufacturing account and the income statement.
- Including extraneous items which were not connected to the rent and rates such as inventories, wages and depreciation.

(b) A manufacturing account had to be prepared. It appears that many candidates were unfamiliar with such an account and either did not attempt an answer or produced an incoherent list of items copied from the question or attempted a trial balance. Other candidates earned high marks. Common errors included –

- Not listing the direct material items in the correct order.
- Omission of labels such as prime cost and cost of production or the use of inappropriate abbreviations.
- Including extraneous items such as overheads in the prime cost section and office expenses and factory equipment in the overheads section.
- Not distinguishing between the two types of wages and incomplete labels such as 'factory Supervisors' without any indication that the figure represented wages.
- Omitting depreciation of factory equipment or including an incorrect figure.
- Including work in progress in the factory overheads.
- Either not showing the total of the prime cost and the overheads, or deducting the overheads from the prime cost.

(c) Candidates were required to advise the directors whether or not depreciation should be provided on low-value items of office equipment. This proved to be difficult for many candidates. A large number of candidates discussed depreciation in general terms. Many incorrectly believed that these items were for re-sale and concentrated on the effect on customers, and others discussed the profit or loss on disposal.

The answer should have explained that as these are non-current assets they should be depreciated as the other non-current assets (consistency) and their cost should be spread over their useful life (matching). However, as these are low-value items the cost of depreciating would outweigh any benefits (materiality). Many candidates mentioned prudence. This was not accepted as it actually would be more prudent to write off these low-value items in the year of purchase rather than to depreciate over a number of years.

A significant number of candidates did not provide a clear recommendation of whether or not depreciation should be applied.

Question 4

(a) An incorrect trial balance was provided and candidates were required to prepare a correct version. Many candidates earned good marks. Some did not appreciate that only the opening inventory appears in the trial balance. The main problem was the entry required in the account of the purchaser for a non-current asset on credit. This should have been debited to an account for other receivables: many candidates included it in the trade receivables or opened a suspense account.

(b) A list of errors was provided and candidates were required to correct journal entries. Many candidates produced some good answers and earned high marks. There were some candidates who produced one-sided journal entries and some who did not show correct account names.

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(c) Candidates were required to complete a table indicating how the correction of the errors (listed before **Part (b)**) would affect the trader's capital. There was a wide range of marks, but the more able candidates earned high marks.

Question 5

(a) Using data provided, the trade receivables turnover and the trade payables turnover had to be calculated. Many candidates earned full marks. A common error was rounding the trade payables down to 21 days rather rounding up to 22 days.

(b) Ratios for a rival business were provided and candidates were required to suggest why the trader's trade receivables turnover and trade payables turnover were different to those of a rival business. There were some suitable suggestions, but many candidates were unable to provide appropriate reasons. Common errors included –

- Making generic statements without reference to the two named traders.
- Making imprecise statements such as 'he offered discount', which did not specify cash discount and did not state why this may be offered, and did not specify the trader to which this statement referred.
- Re-stating the answers given in **(a)** and a giving a comment on which trader received money earlier from credit customers/paid his credit suppliers earlier, without attempting to answer the questions which required reasons for the differences.
- Suggesting that Omer had less credit sales and Ahu had more trade receivables as an answer to **(i)** and that Ahu had less purchases and Omer had more trade payables as an answer to **(ii)**.
- Incorrectly stating that the ratios were affected by differences in the amount of credit sales and/or trade receivables and differences in the amount of credit purchases and/or trade payables.

(c) Candidates were required to advise a trader whether or not to employ a marketing manager. There was a wide range of marks. Those who provided correct answers focused on the advantages of improvement in market share and the manager's skills and the disadvantages of the salary increasing the expenses and the possibility of the manager not being effective.

A common error was to assume the marketing manager was a general manager or even a partner. Only a few managed to explain that the task of the marketing manager would be to increase sales and so increase the profit of the business.

(d) Three ways of reducing the possibility of an increase in irrecoverable debts were required. Many candidates earned at least one of the available marks. Common correct answers included offering cash discount for prompt payment and reducing credit sales.

Common errors included giving answers which were not specific, such as omitting to mention prompt payment in connection with cash discount, or mentioning discount for prompt payment without specifying cash discount. Some incorrectly suggested increasing the credit period allowed and charging interest on overdue accounts.

(e) Candidates were required to state why a trader should apply four named accounting principles. Many answers were very imprecise and lacked detail. Some candidates were distracted by the opening statement and tried to relate their answers solely to irrecoverable debts.

Many understood that the matching principle requires the costs to be set against the revenue, but most did not qualify this by reference to the same accounting period.

Many candidates managed to state one aspect of prudence but did not provide a complete explanation. This principle ensures that profits and assets are not overstated. An alternative acceptable answer would be that it ensures losses and liabilities are not understated.

Some candidates seemed to confuse consistency with continuity. Candidates often provided vague answers. They could have explained that when an accounting method is selected it must be applied year-on-year to allow useful comparisons to be made. Some referred to applying the same method but did not relate the method to accounting and did not refer to year-on-year.

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Many candidates managed to earn a mark for a comment about the business being treated separately from the owner of the business. Some candidates incorrectly referred to the business owner having a separate legal entity from that of the business.

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ACCOUNTING

Paper 0452/22
Paper 22

Key messages

Candidates need to read through each question carefully to ensure that they fully understand what is required. Too often candidates would produce a very detailed and practised response which was not answering the question.

It is very important to show related workings to answers so that marks can be awarded even if the final answer is incorrect or incomplete. If extra space is required in order to record calculations, it is important that page references are given, for example 'please see page 16', in order for all work to be considered.

There is a necessity to record information accurately and precisely into accounting systems. Candidates should avoid the use of abbreviations such as 'OI' for opening inventory or 'GP' for gross profit. Whilst this approach may appear to save time these answers are not acceptable in exams or accounting practice.

General comments

The paper consists of five compulsory questions of equal marks. Candidates were generally well prepared to produce petty cash books, income statements and statements for changes in equity. Areas of weakness continue to involve the preparation of ledger accounts and the ability to record adjustments and balances brought or carried down within them. Often if correct amounts were recorded accurately the narrative descriptions were imprecise or incorrect.

A firm grounding in the use of double entry book-keeping provides a firm basis for recording entries into both manual and computerised systems and applies to all aspects of the syllabus.

The paper includes questions that require candidates to consider scenarios and to arrive at a recommended course of action. A sequential approach that considers possible advantages and disadvantages resulting in a balanced approach to problem solving is recommended. Better scripts had a well organised approach to this type of question and linked to a firm understanding of financial statements and how they are constructed.

Comments on specific questions

Section A

Question 1

(a) The preparation of a petty cash book is always popular with candidates as it represents a very basic system for recording cash movements. It still requires regular practice as how to restore the original 'imprest' amount is often forgotten. This will lead to incorrect balances being carried forward. Common errors were the use of imprecise narratives. These should refer to 'train ticket' and 'taxi fare' and should not be preceded by 'purchase of'. The entry for Hunter was regularly posted incorrectly to the expenses side of the petty cash book resulting in the corruption of the analysis column total for ledger accounts. Whilst this question was generally well answered, there were surprisingly few examples of full marks being obtained.

(b) (i) Generally well answered, common errors were to label as 'journal' or 'cashbook' instead of purchase ledger.

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(ii) Better responses recognised the correct principle as 'duality'. The most common incorrect answer given was 'matching'.

(c) Answers were varied and general knowledge of 'statements of account' were usually rewarded with one mark. The purposes of using statements for checking transactions and for showing outstanding balances owing was understood by most candidates.

(d) As identified in the general comments, this question was not well answered. There were few valid advantages and disadvantages given for changing to a credit transfer system of payments. The obvious advantages of 'time-saving' and 'increased security' were often missed. The use of a bank service would invariably increase bank charges, again not often mentioned or interest charges were quoted incorrectly if this aspect was considered. The lack of understanding of this question inevitably led to few good recommendations being made.

Question 2

(a) This question required the preparation of a rent payable ledger account. It clearly distinguished between the stronger responses, which often gained full marks, as and weaker responses that received no marks at all. Common errors were the complete reversal of the entries, incorrect narratives, the combining of the two cheque payments into one entry, and the inclusion of extraneous items such as the opening and closing balances of trade receivables.

(b) The preparation of the provision for doubtful debts account required two basic calculations of 4% and 6% of opening and closing trade receivables. Recording the opening and closing balances into a provision account was challenging to some candidates.

(c) A straightforward knowledge question that many candidates identified correctly as 'matching' or the alternative answer of 'accruals'. A commonly seen incorrect answer was 'prudence'.

(d) (i) This was a challenging question and few answers could explain the realisation principle correctly. Emphasis needed to be placed on 'revenue as being earned when title to the goods is passed', as opposed to when 'payment is received'.

(ii) The prudence principle was generally much better understood and most candidates gained half marks for 'ensuring that profits/trade receivables are not overstated'. Few candidates were able to link the effect of the increase or decrease to the provision upon profits/assets.

(e) There was an improvement on the answers to this discussion type of question. Most answers identified that if interest was charged on overdue accounts it would damage relationships with customers, but result in improved liquidity. The lack of a balanced approach however indicated the need to practice this type of question and to arrive at a clear recommendation. Weaker answers would list a series of 'bullet-points' that were not sufficiently related to the question being asked.

Question 3

(a) As identified in the general comments, the preparation of an income statement for a limited company was well answered with candidates being well prepared. Financial statements were accurately produced and presented to a high standard. Weaker answers tended to include items that appear in the statement of financial position and regular omissions were charges for debenture interest and related workings for rent and insurance.

(b) The statement of changes in equity is a well established additional financial statement following on from the income statement for limited companies. Candidates are well practised and the format familiar to most candidates. The detail used in the statement is standard, but marks would be missed for careless narratives or showing incorrect movements to the ordinary share capital account instead of retained earnings.

(c) The calculation for a return on capital employed was based upon the answers from **part (a)** and **(b)** and marks awarded for own figure calculations. Profit for the year required any interest charged to be added back, many candidates gained this mark by default as the charge for debenture interest had been previously omitted. Few candidates appreciated that the figure for capital employed was available from the statement of earnings total (**part (b)**) after adding back the $30 000 of debentures. Many answers set about recalculating a value for the capital employed and this

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demonstrated the lack of understanding of the purpose of the statement of changes in earnings and how the total ultimately feeds into the statement of financial position.

(d) The distinction between ordinary and preference shares should be a straightforward knowledge question. Some candidates easily identified two differences. For other candidates, interest was often used instead of dividends and general answers such as 'preference shares are paid first' without qualifying if it referred to the payment of dividends or repayment following a 'winding up' procedure.

Question 4

(a) Club accounts is a challenging part of the syllabus. The subscriptions accounts did show improvements although subscriptions in advance and arrears continues to pose problems. Too often answers would include extraneous items such as shop purchases and balances at bank. The transfer of the subscriptions account is made to the 'income and expenditure' account and weaker answers would often see 'income statement' being used or omitting to bring the balances down on the account.

(b) The trading part of club accounts relates to any shop activities undertaken. The trade payables account required the candidate to use control account techniques to determine the amount paid through the bank to the shop trade payables. Weaker responses would reverse the book-keeping or use incorrect labels such as 'goods returned to suppliers' instead of 'purchases returns'.

(c) The calculation of revenue from the shop was generally very well answered with all three marks being gained. If marks were missed it was usually down to the calculation being ended at the cost of sales of $32 490. Once this was determined a gross profit uplift of 20 per cent was calculated and added back in order to arrive at an answer for revenue.

(d) The discussion aspect of this question again proved difficult for many candidates. Many could identify one benefit of renting out the premises. A far smaller number were able to identify alternatives or disadvantages. Answers often referred to customers instead of members, and suggestions focused upon the sale of non-current assets or taking up a loan which were considered unrealistic under the circumstances.

Question 5

(a) This question required a sound understanding of double entry book-keeping to correct a series of errors through the journal. High marks were generally achieved. Common errors were the reversal of sales and purchase returns, motor expenses and suspense figures of $72 or $172 and purchases invoice of $102 instead of $204 were often posted.

(b) Two to three marks were achieved easily through the posting of the error corrections for motor expenses, drawings and one of the returns entries. There were few instances of maximum marks being obtained however, often because the 'trial balance difference' was labelled incorrectly.

(c) There were few instances of fully correct answers. Purchases were often given as $102, and office expenses added instead of being deducted, and the sales returns of $105 incorrectly included within the calculation.

(d) The main challenge to answering this question was being able to give three reasons for not recording the purchase of a calculator as a non-current asset. Marks were awarded for the cost of the calculator being of 'low value' and stronger candidates quoted that the principle of 'materiality 'had been applied. The reasoning behind the decision is that the cost of calculating depreciation is that it would have outweighed any benefit derived from the calculation. This final point was rarely mentioned and should be considered as the starting point for a rationale supporting a discussion around materiality.

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ACCOUNTING

Paper 0452/23
Paper 23

Key messages

Candidates need to read through each question carefully to ensure that they fully understand what is required. Too often candidates would produce a very detailed and practised response which was not answering the question.

It is very important to show related workings to answers so that marks can be awarded even if the final answer is incorrect or incomplete. If extra space is required in order to record calculations, it is important that page references are given, for example 'please see page 16', in order for all work to be considered.

There is a necessity to record information accurately and precisely into accounting systems. Candidates should avoid the use of abbreviations such as 'OI' for opening inventory or 'GP' for gross profit. Whilst this approach may appear to save time these answers are not acceptable in exams or accounting practice.

General comments

The paper consists of five compulsory questions of equal marks. Candidates were generally well prepared to produce petty cash books, income statements and statements for changes in equity. Areas of weakness continue to involve the preparation of ledger accounts and the ability to record adjustments and balances brought or carried down within them. Often if correct amounts were recorded accurately the narrative descriptions were imprecise or incorrect.

A firm grounding in the use of double entry book-keeping provides a firm basis for recording entries into both manual and computerised systems and applies to all aspects of the syllabus.

The paper includes questions that require candidates to consider scenarios and to arrive at a recommended course of action. A sequential approach that considers possible advantages and disadvantages resulting in a balanced approach to problem solving is recommended. Better scripts had a well organised approach to this type of question and linked to a firm understanding of financial statements and how they are constructed.

Comments on specific questions

Section A

Question 1

(a) The preparation of a petty cash book is always popular with candidates as it represents a very basic system for recording cash movements. It still requires regular practice as how to restore the original 'imprest' amount is often forgotten. This will lead to incorrect balances being carried forward. Common errors were the use of imprecise narratives. These should refer to 'train ticket' and 'taxi fare' and should not be preceded by 'purchase of'. The entry for Hunter was regularly posted incorrectly to the expenses side of the petty cash book resulting in the corruption of the analysis column total for ledger accounts. Whilst this question was generally well answered, there were surprisingly few examples of full marks being obtained.

(b) (i) Generally well answered, common errors were to label as 'journal' or 'cashbook' instead of purchase ledger.

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(ii) Better responses recognised the correct principle as 'duality'. The most common incorrect answer given was 'matching'.

(c) Answers were varied and general knowledge of 'statements of account' were usually rewarded with one mark. The purposes of using statements for checking transactions and for showing outstanding balances owing was understood by most candidates.

(d) As identified in the general comments, this question was not well answered. There were few valid advantages and disadvantages given for changing to a credit transfer system of payments. The obvious advantages of 'time-saving' and 'increased security' were often missed. The use of a bank service would invariably increase bank charges, again not often mentioned or interest charges were quoted incorrectly if this aspect was considered. The lack of understanding of this question inevitably led to few good recommendations being made.

Question 2

(a) This question required the preparation of a rent payable ledger account. It clearly distinguished between the stronger responses, which often gained full marks, as and weaker responses that received no marks at all. Common errors were the complete reversal of the entries, incorrect narratives, the combining of the two cheque payments into one entry, and the inclusion of extraneous items such as the opening and closing balances of trade receivables.

(b) The preparation of the provision for doubtful debts account required two basic calculations of 4% and 6% of opening and closing trade receivables. Recording the opening and closing balances into a provision account was challenging to some candidates.

(c) A straightforward knowledge question that many candidates identified correctly as 'matching' or the alternative answer of 'accruals'. A commonly seen incorrect answer was 'prudence'.

(d) (i) This was a challenging question and few answers could explain the realisation principle correctly. Emphasis needed to be placed on 'revenue as being earned when title to the goods is passed', as opposed to when 'payment is received'.

(ii) The prudence principle was generally much better understood and most candidates gained half marks for 'ensuring that profits/trade receivables are not overstated'. Few candidates were able to link the effect of the increase or decrease to the provision upon profits/assets.

(e) There was an improvement on the answers to this discussion type of question. Most answers identified that if interest was charged on overdue accounts it would damage relationships with customers, but result in improved liquidity. The lack of a balanced approach however indicated the need to practice this type of question and to arrive at a clear recommendation. Weaker answers would list a series of 'bullet-points' that were not sufficiently related to the question being asked.

Question 3

(a) As identified in the general comments, the preparation of an income statement for a limited company was well answered with candidates being well prepared. Financial statements were accurately produced and presented to a high standard. Weaker answers tended to include items that appear in the statement of financial position and regular omissions were charges for debenture interest and related workings for rent and insurance.

(b) The statement of changes in equity is a well established additional financial statement following on from the income statement for limited companies. Candidates are well practised and the format familiar to most candidates. The detail used in the statement is standard, but marks would be missed for careless narratives or showing incorrect movements to the ordinary share capital account instead of retained earnings.

(c) The calculation for a return on capital employed was based upon the answers from **part (a)** and **(b)** and marks awarded for own figure calculations. Profit for the year required any interest charged to be added back, many candidates gained this mark by default as the charge for debenture interest had been previously omitted. Few candidates appreciated that the figure for capital employed was available from the statement of earnings total (**part (b)**) after adding back the $30 000 of debentures. Many answers set about recalculating a value for the capital employed and this

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demonstrated the lack of understanding of the purpose of the statement of changes in earnings and how the total ultimately feeds into the statement of financial position.

(d) The distinction between ordinary and preference shares should be a straightforward knowledge question. Some candidates easily identified two differences. For other candidates, interest was often used instead of dividends and general answers such as 'preference shares are paid first' without qualifying if it referred to the payment of dividends or repayment following a 'winding up' procedure.

Question 4

(a) Club accounts is a challenging part of the syllabus. The subscriptions accounts did show improvements although subscriptions in advance and arrears continues to pose problems. Too often answers would include extraneous items such as shop purchases and balances at bank. The transfer of the subscriptions account is made to the 'income and expenditure' account and weaker answers would often see 'income statement' being used or omitting to bring the balances down on the account.

(b) The trading part of club accounts relates to any shop activities undertaken. The trade payables account required the candidate to use control account techniques to determine the amount paid through the bank to the shop trade payables. Weaker responses would reverse the book-keeping or use incorrect labels such as 'goods returned to suppliers' instead of 'purchases returns'.

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