

ACCOUNTING

Paper 9706/01
Multiple Choice

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

General comments

Many of the 7300 candidates who sat this paper did well. Statistics for the paper show a normal profile, and the mean mark was 17 and the standard deviation was 5.6 marks. Almost 30% of candidates attained 20 marks or more.

The paper covered a diverse range of questions requiring both computational and analytical abilities. The following questions achieved a response rate of over 70% correct and may be considered easy – 3, 6, 9, 14, 19, 22, 25, and 26. Features of these questions are that they cover a lot of basic accounting and were short in content and length. Also many of them have been set before as similar questions or by using different figures. Past examination papers are a good source of revision material for candidates.

Questions which proved more difficult were:

- 8 Because the item had been placed on the wrong side of the ledger, it is necessary to both take out the item from the wrong side and enter it on the correct side. The provision for doubtful debts does not affect the sales ledger control account.
- 17 This question contained 7 different items and required some knowledge to analyse them all correctly to calculate the figure for net current assets.
- 28 The absorption cost per unit used in stocktaking would not involve any selling overhead, and would be based on budgeted output.
- 29 When considering under or over absorption of overheads it is necessary to distinguish clearly between bur

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Paper 9706/02
Structured Questions

General comment:

Candidates seemed to find this paper more difficult than in the past, mainly due to **Questions 1** and **2(a)**, which required more of an ability to (a) read the question correctly and (b) to correctly manipulate the figures. Also there was a clear distinction between candidates who had covered the complete syllabus and those who had not.

Question 1

- (a) Very few completed this section correctly. A common fault was that of not realising that the dates were of prime importance – one set of figures was clearly labelled as at the end of the accounting period, whilst the other was dated at the beginning of the period. Also, candidates often did not know how to handle the salary and drawings figures. For example, the closing balance of capital at 30 September 2006 was easily calculated: total assets less total liabilities = \$1 169 000. From this were deducted \$600 000 opening capital + \$320 000 current accounts less (\$123 000 drawings + \$45 000 salary) = \$752 000. Giving a profit for the year of \$417 000. A large minority attempted to calculate the profit by drawing up a trading and profit & loss account for which they gained little credit. Commonly, candidates gained five marks for calculating correctly the three years' closing balances.
- (b) Dates were omitted by a minority of candidates. The capital account was not well attempted, despite all of the necessary information being given in the question. The opening balance of \$150 000 and the \$60 000 additional capital were both given and the only calculation required was to add them together. However, balances were not carried forward from one year to the next though it was clearly stated that the account was to be completed for **each** of the three years. The current account was rarely completed correctly as few candidates realised that if they credited Michael's account with salary, then they had to add that amount to his drawings figure on the debit side.
- (c) Few candidates differentiated between capital and current accounts, which was the object of the question.

Question 2

- (a) This section tended to pick out those with an understanding of the subject and awarded them accordingly.
- (b) Almost all candidates scored well in this section, which was a standard trading and profit & loss account.
- (c) A relatively straight-forward balance sheet. The balance at bank was a balancing figure, though it was possible to calculate it from the question.
- (d) This was in general very badly attempted. Many candidates failed to realise that it was the **ratio** of net profit to sales which was under discussion, not the **amount** of profit or sales. Of those who did understand the question, a large minority gave answers which were directly opposite to those expected, e.g. a decrease (instead of an increase) in expenses, an increase (instead of a decrease) in selling price.

Question 3

- (a) This section was almost universally completed correctly.
- (b) Most candidates gained fair marks using the marginal costing method, though not all realised that the manufacturing overheads were fixed at \$400 000, and treated them as variables. There were various methods of attempting this question, all of which were awarded the relevant marks.
- (c) There were many and varied answers to this section. Marks were awarded in those areas which were different from **section (b)**. That is, no further awards were given for sales or fixed costs as they should have been the same in both sections.
- (d) In this section most candidates entered only the profit figures, showing no adjusting figures inbetween. Those who showed adjustments were almost always correct and gained six marks.

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Paper 9706/03

Multiple Choice (Supplement)

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

General comments

Just over 6000 candidates took this A level Paper. Most candidates performed well and the mean mark was 17 and the standard deviation was 6.4 marks.

There was quite a flat profile distribution indicating that some polarisation took place with some very good candidates being balanced by less able candidates. 30% of candidates achieved 20 marks or better and 20% of candidates attained 11 marks or less.

This was a pleasing result, not least because the Advanced level syllabus is a bit narrow in content and it is not always easy to set suitable new multiple-choice questions in some areas.

There were no less than 11 questions which proved 'easy' to most candidates, namely numbers 6, 8, 12, 14, 15, 19, 20, 21, 24, 25, and 29. All these questions were main-line accounting questions, many of which have been set before (in various guises and formats).

The only question which might be described as difficult was number 22 which was concerned with under and over recovery of overheads, an area found difficult by many candidates. This particular question contained some very effective distracters, and careful analysis was necessary to get the correct answer.

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Paper 9706/04
Problem Solving (Supplement)

General comments

Generally, the standard of candidates' responses to questions continues to improve. There were very few poor scripts, but equally there seemed to be fewer scripts with very high marks than in previous examinations.

No question seemed to cause greater difficulty than other questions and neither did there seem to be any question that candidates, in the main, found to be much easier than others.

Although candidates' responses seemed to indicate that well prepared candidates had access to all the available marks, **Questions 1** and **2** proved to be good discriminators with a wide range of marks being scored.

Pleasingly, there has been an increase in the use of workings. The showing of detailed workings cannot be emphasised too strongly. Detailed workings mean that careless mistakes or the use of an incorrect number keyed into a calculator will not result in an inappropriate loss of marks.

There was not any evidence to suggest that candidates had run out of time or that candidates had to hurry to complete the paper.

Layouts continue to improve. The formal statement required in the answer to **Question 2**, was in the main laid out in the way expected. The odd "non standard" layout was generally adopted by the less able candidate who was probably at a loss as to how the question should be answered.

There are still a significant number of scripts that were poorly presented. The main problem seemed to be when a candidate wished to change a figure. Many candidates continue to write their "correct" figure on top of the original figure making it, in many cases, impossible for the Examiner to determine which figure the candidate intended to be marked. Candidates should be encouraged to cross out the incorrect figure neatly and replace it with the intended figure written clearly above or to the side of the deleted item, and not to try to over-write the incorrect figure. This is the easiest (and surest) way to help the Examiner give the just reward.

Comments on specific questions

Question 1

- (a) A good number of candidates were well prepared. Generally most candidates scored the marks available for the assets debited to the realisation account. However, many candidates introduced extraneous values for the assets taken over by the company on the credit side. Very few candidates correctly credited the account with the purchases consideration of \$57 000. This amount was frequently shown as a debit in the bank account.

Many candidates included discounts in the bank account and failed to use the bank account to balance off the capital account.

Many candidates used \$40 000 as the opening balance in Wong's capital account. Surprisingly, a significant number of candidates used a debit balance to open the capital account. Only the better candidates realised that the ordinary shares were issued at a premium.

- (b) Many candidates duplicated the errors made in (a) and (b). A significant number of candidates included Wong's capital account in Gruber and Gupta's books of account. Weaker candidates put the balancing item (i.e. profit or loss (o/f)) on the wrong side of the capital accounts.

Weaker candidates did not adjust the capital accounts to allow for the current accounts and often those candidates that did try an adjustment either used the wrong partner's account or incorrectly added the \$1500 to Gupta's account and deducted \$500 from Gruber's account. In a significant number of instances candidates left the account open without using closing bank entries.

- (c) Few candidates scored maximum marks for the company balance sheet. Share capital, debentures and the share premium account were rarely multiplied by three. However, in the main, the balance sheets were laid out well.

Goodwill was generally missing. In other instances it was incorrectly calculated. A few candidates calculated goodwill and then chose not to use it in their answer. Some candidates put goodwill into the partners' capital accounts.

Question 2

Generally, candidates had been well prepared for this question; although there were very few totally correct answers. Some less confident candidates prepared several pages of "T" accounts usually to no avail.

- (a) Many candidates scored maximum marks for this part of the question. In the main most candidates were able to score 5 or more marks. Those that did not score well often missed the debenture interest from their calculation and miscalculated the dividends actually paid. Some less well prepared candidates merged the calculation of the operating profit and the reconciliation of operating profit to net cash flow from operating activities.
- (b) The reconciliation of operating profit to net cash flow from operating activities was often included as part of the cash flow statement. Candidates who used this approach were rewarded appropriately. A significant number of candidates left the statement in an unfinished state possibly because it was obvious from the amounts used that the final figure would not amount to negative \$85 000. Candidates should be encouraged to conclude any question, even if it is obvious the end result will not be absolutely correct. Only the better candidates ended their cash flow statement with (\$85 000) the amount by which the bank balance had reduced over the year.

Many marks were lost by candidates confusing cash inflows and cash outflows – this might have been due to either carelessness or lack of knowledge and understanding on what constituted a cash inflow and what constituted a cash outflow.

- (c) Most candidates were able to score one or two marks. Weaker candidates confused a cash flow statement with a cash budget. These candidates clearly were unaware that the cash flow statement is an historic document not a predictor.

Question 3

- (a) Very few candidates scored maximum marks for this part of the question. This was due in the main to a failure to flex the budgets. As a result the material price and the wage rate variances were correctly calculated, but the usage and efficiency variances were incorrect. The weaker candidates often calculated variances to be several millions of dollars in magnitude. Clearly these candidates were answering the problem by rote rather than looking for a sensible outcome.
- (b) This part of the question was often not attempted. Many candidates did not apply the question to their own results from part (a) and merely discussed variances in a generalised manner. Good candidates were able to comment on the connections that exist between the use of materials by the labour force.
- (c) Candidates that had prepared for this topic scored well, with many scoring maximum marks. Weak answers were based on the incorrect net cash flows; some candidates based their calculations on only estimated cash inflows while others based their calculations on only estimated cash outflows. A significant number of candidates used an incorrect purchase price for machine A.
- (d) Many candidates calculated the NPV for machine A at 7% or NPV for both machine A and machine B at 14%. Both calculations had been done by the question paper setter and the results were given in the question. Candidates should be encouraged to read the question carefully and to underline or mark in some way the information that is provided so that they can quickly see the

relevant information and use it in any appropriate answer, rather than spending time repeating a given calculation.

Good candidates were able to draw on all the relevant information provided and to give structured answers drawing on all their accounting knowledge and accounting skills. Many better candidates referred to other methods of investment appraisal. Some calculated ARR and the payback period for each of the machines. Many discussed non-financial factors and gave advice based on logical arguments. Weaker candidates based their advice to the directors only on their calculations of NPV calculated in part **(c)**.

- (e)** In the main this part of the question was well done. However, a significant number of candidates based their calculations on the wrong machine i.e. the machine not chosen in part **(d)** of the question. The only other major error was the use of one minus rather than minus minus in the denominator in the formula.