

ACCOUNTING

Paper 9706/11
Multiple Choice

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

General Comments

Just over 6200 candidates sat this examination and the results show a normal mark distribution, which supports the mean mark of 17.

Comments on specific questions

Questions 5, 15, 19, 22, 27 and 28 gave consistently above average results. These were all basic accounting questions, similar to questions set in the past, but nevertheless it is important always to test the major syllabus areas such as working capital, ratios and break-even analysis.

The more difficult questions included:

Question 2

Candidates are reminded that an income account (profit and loss account) is always drawn up on an accrual basis (in this case 7 months). Also to be noted is that this business is receiving rent and not paying it.

Question 11

Cost plus a mark-up of 20% is $\frac{1}{6}$ th, and not $\frac{1}{5}$ th of the price of the finished goods.



Question 20

Decreasing the rate of stock turnover will increase the amount of stock held, whereas offering discounts will reduce the amount of debt carried.

Question 26

A 20% reduction in activity will increase unit costs, because fixed costs will be spread over fewer units. Because of the saving in variable costs, the increase will be less than 20%.

ACCOUNTING

Paper 9706/12
Multiple Choice

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

General Comments

About 2500 candidates sat this examination. The marks covered a very wide range showing that some candidates did very well and others were less successful. The mean mark was 17 and a majority of candidates scored between 11-19 marks.

Comments on specific questions

Questions 4, 13, 14, 20, 21, 27 and 28 produced consistently correct answers. These were all basic accounting questions similar to questions set on past papers. Nevertheless, it is always important to fully test all the major areas of the syllabus.

Few questions proved really difficult, but mention may be made of:

Question 10

Cost plus a mark up of 20% is $1/6^{\text{th}}$, and not $1/5^{\text{th}}$, of the price of the finished goods.

Question 25

A 20% reduction in activity will increase the cost per unit, because fixed costs will be spread over a lesser number of units. Because of the reduction in the total of variable costs, the increase will be less than 20%.

ACCOUNTING

Paper 9706/21
Structured Questions

General comments

Question 1(a) proved most difficult for almost all candidates.

The paper appeared to be about the same level of difficulty as in previous years.

Comments on specific questions

Question 1

- (a) Very few gained full marks here as they omitted current accounts from their calculations. However, most gained half marks for calculating capitals in the correct ratio.
- (b) Most candidates gained good marks here, though a lack of workings deprived some of possible awards for Sales, Purchases, Rent & Rates and Electricity. A few entered Drawings in the appropriation section, thereby losing the mark for Share of Residue.
- (c) Most candidates completed this successfully.

Question 2

- (a) Well answered by most, though some entered Wages in the Cost of Sales section and others entered Wages in the Income and Expenditure account.
- (b) Many candidates did not show their calculations for Subscriptions – up to 6 marks were available here but without workings no award could be made for a wrong answer. The quality of answers varied widely. A few candidates used the horizontal layout but entered Income on the debit side and Expenditure on the credit side, thus losing all marks for this section.
- (c) Again there was a wide variation from excellent to very weak attempts. Also, once more, those who did not show workings for a wrong answer for the Accumulated Fund could lose up to 5 marks. Some candidates reversed the entries for Subscriptions due and Subscriptions prepaid. A very small number correctly entered the \$9500 Life Members' Fund.
- (d) On average, candidates gained 2 marks in this section – it seemed that Disadvantages were more easily recognised than Advantages.

Question 3

- (a) Most candidates gained at least one mark here, though a large minority failed to calculate the total number of hours.
- (b) About 50% of candidates got this section correct – the remainder appeared not to realise that (b) followed on from (a).
- (c) More than half of the candidates gained full marks here – a few managed to calculate the number of units produced, gaining 3 marks, and then lost their way.

- (d) Most candidates worked out the total sales correctly. Some went on to complete the question and gain full marks whilst others gained marks here and there – there was no set pattern for the candidates. Quite a large minority failed to amend the fixed costs and others split the fixed costs between Athol and Crowdie, despite having been told to follow the layout used at the beginning of the question.

General Remarks

There appeared to be no problem with time allowed – almost all candidates completed the paper.

The title page of the paper always tells candidates that workings must be shown – this was ignored by a large minority of candidates, and indeed some had workings in pencil which they subsequently erased. If a figure is wrong, the examiner checks any relevant workings and awards marks if possible. No one is ever penalised for showing workings, and a wrong answer with no workings means that no marks can be awarded.

ACCOUNTING

Paper 9706/22
Structured Questions

General comments

Candidate performance overall was generally pleasing, with candidates from some Centres displaying an excellent understanding of every topic examined. Those Centres are to be congratulated on their performance. It was clear, however, that there were also a number of candidates who were not at ease with every topic examined. The questions that proved difficult tended to vary from Centre to Centre but **Question 2** and **Question 3** seemed to be more problematic for the weaker candidate.

Consequently, it would be worthwhile for some Centres to revise their approach to learning and teaching with particular regard to recording the disposal of fixed assets examined in **Question 2**; while other Centres could usefully spend more time on management accounting examined in **Question 3**.

Comments on specific questions

Section A

Question 1

- (a) Candidates were asked to explain the difference between a liability and a provision. Most candidates defined the liability confidently but were less certain when defining a provision. Few candidates focused on the key difference of 'certainty' versus 'uncertainty', although many managed to tease out this essential difference by providing relevant examples.
- (b) Candidates were asked to calculate the total sales for the year. A large minority managed to calculate \$2911 for full marks. Others hit on elements of the correct calculation. The most common mistakes were to ignore the cash sales, the opening and closing cash balances and the adjustment for the sale of furniture and equipment in their calculations. However, most candidates managed to score some marks.
- (c) This section was generally well done even by those who had experienced difficulties in (b). The most common mistake was to include cash items in the calculation of the bank balance.
- (d) This was often well done, with many candidates scoring good marks. Errors that were made were the predictable ones: not adjusting the purchases figure, omitting the profit on sale of fixed asset and wrongly calculating both the expenses figure and the depreciation charge for the year on furniture and equipment. The latter caused particular difficulty.
- (e) There were many good answers here. Common mistakes were the omission of furniture and equipment from the fixed assets; wrongly calculating the depreciation; failing to adjust the debtors figure for the bad debt provision; and omitting the figure for bank, even though it had been calculated earlier in (c). Other common mistakes were to include the opening bank overdraft of \$210 000 and leaving out the opening capital figure altogether.

Question 2

This question tested candidates' knowledge of double entry and candidates generally performed well, although only the top candidates managed to gain full marks. Candidates should be encouraged to bring down the closing balance of the accounts when they are prepared in the 'T' format and should also be encouraged to use the correct narrative in the details column of the account.

- (a) (i) Generally, candidates were able to accurately record the opening balance figure and the two bank transactions but the calculation of the credit entry for transfer to the disposal account was often wrong.
 - (ii) The motor vehicles account was similar to the furniture and equipment account in part (i). Candidates were generally accurate in recording the opening balance and the bank transactions but again many wrongly calculated the credit entry for the transfer to the disposal account.
 - (iii) This account was reasonably well done with most candidates getting at least the opening balance correct and gaining some marks.
 - (iv) This account was reasonably well done with most candidates gaining some marks.
 - (v)/(vi) Candidate responses in the preparation of the disposal accounts in part (v) and (vi) were disappointing. Quite a number of candidates used inaccurate names, for example 'sales' instead of 'bank', and reversed the entries in the account putting the disposal figure on the credit side and the bank figures on the debit. These accounts should balance off with the transfer to profit and loss and candidates should be encouraged to use the narrative 'profit and loss' rather than simply writing 'gain' or 'loss'. Candidates should also be encouraged to total the debit and credit sides of the account.
- (b) There were some good responses to this question although candidates from some Centres regarded the main purpose of depreciation as calculating the selling price of a second-hand fixed asset, rather than of spreading the cost of a fixed asset over its useful life as per the prudence and matching concepts. Weaker candidates wrote lots about depreciation but did not get around to stating just what it was.

Question 3

- (a) (i) There were some very good answers with many candidates scoring maximum marks. The calculation of direct labour and variable overheads posed problems for the weaker candidate.
 - (ii) The answer allowed was an own figure (OF) based on the candidate's answer to (a) and generally gained full marks. However, quite a number of candidates advised the production manager to choose the product with the highest costs rather than the lowest.
- (b) There were some very good answers and many candidates scored maximum or close to maximum marks. The calculation of direct labour and variable overheads again posed problems for the weaker candidates with some incorrectly using the material figures from part (a) in their answer.
- (c) (i)/(ii) There were some good attempts here, but some gave an answer in (c)(i) that did not match their answer in (b) thus losing the own figure (OF) marks awarded. Other candidates who had performed well in (a) and (b) surprisingly did not attempt part (c). Marks were generally good in (c) (ii) with some sound reasons being provided.

ACCOUNTING

Paper 9706/31
Multiple Choice (Supplement)

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

General Comments

The results for this paper show a rather irregular profile, indicating a wide range of candidate knowledge and ability reflected in a wide range of marks. The mean mark was 16 with a standard deviation of slightly under 6 marks. About 50% of candidates scored half-marks or better and 25 % of candidates attained 20 marks or more.

Comments on specific questions

Questions 6, 10, 21, 23, and 25 all achieved high scores. All of these were short questions requiring a minimum of figure calculations.

More difficult questions included:

Question 1

Candidates mistakenly took into account 40% of the already existing goodwill of \$50 000, instead of taking 40% of the unrecorded goodwill of \$40 000.

Question 4

60 000 shares of a nominal value of \$5 each absorbs a reduction in the value of share capital by \$300 000 leaving a balance of \$100 000 to be set against the income account (profit and loss account).

Question 5

Some candidates did not allow for a full year's interest to be paid on the debentures.

Question 11

Candidates did not allow for depreciation of 20% against the completed development project and the consequent reduction in the carrying value of the asset to \$80 000.

Question 13

It is not good practice to net figures against each other, thus the debit balances on the creditors' ledger should be aggregated with the total balances on the debtors' ledger.

Question 27

Candidates did not take into account that the standard overhead cost per unit must be related to the standard hours taken: $\$3.10 \times 2.5 \text{ hours} = \7.75 .

ACCOUNTING

Paper 9706/32
Multiple Choice (Supplement)

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

General Comments

This paper produced a wide range of marks, perhaps indicating a wide range of candidates. The mean mark was 16 with a standard deviation of 6. Some 52% of candidates achieved half-marks or better, and a quarter of candidates scored 21 marks or better.

Comments on specific questions

Questions 5, 9, 20, 22, 24, and 29 proved straightforward to most candidates. All of these were short questions, requiring a minimum of figure calculations.

More difficult questions were:

Question 3

Many candidates did not notice that the 60 000 shares had a total nominal value of \$300 000, and that the excess of \$100 000 needs to be set against retained profits.

Question 4

In this question some candidates did not allow for the \$4000 interest on debentures paid sometime in the year.

Question 10

Candidates did not allow for a write off of one fifth of the completed development project, consequent reduction in the carrying value of the asset.

Question 12

Some candidates did not allow for the credit balances on the debtors' ledger to be aggregated with the creditors (and vice versa). It is incorrect to 'net' the balances.

Question 26

Candidates did not take into account that the standard overhead cost per unit must take account of the number of standard hours per unit: $\$3.10 \times 2.5 \text{ hours} = \7.75 .

Question 30

Candidates mistakenly took into account 40% of the existing goodwill of \$50 000, instead of 40% of the unrecorded goodwill of \$40 000.

ACCOUNTING

Paper 9706/41

Problem Solving (Supplement)

It was good to see that more candidates than previously showed workings. However, of the candidates who did not use workings, valuable marks were lost.

Layouts were, in the main, good and conformed to those shown by teachers and in textbooks.

There was no evidence to suggest that candidates had insufficient time to complete the paper.

The paper proved to be a good discriminator allowing the very best candidates to gain high marks whilst allowing weaker candidates to score marks for their basic knowledge.

Question 1

This proved to be the most challenging question in the paper. The majority of candidates scored their lowest mark for this question.

(a) This part of the question was, in the main, reasonably well done. Layouts were generally good.

Most candidates made an addition of \$250 000 to fixed assets but failed to recognise that the purchase of the assets involved a long term loan and failed to show this as a long term liability. Some candidates put the loan in current liabilities. Many used \$20 000, i.e. the interest, as the loan's capital sum and many used the wrong direction i.e. adding the capital sum to the Net Assets or deducting it from the capital and current accounts.

In the main, the stock and debtors were calculated accurately, although the majority of the candidates used only \$9675 for the bank, overlooking the injection of \$60 000 funds by Danny.

Many candidates used the original capital figures without adjusting for the revaluation and the goodwill. A significant number of candidates did produce capital accounts as workings and then failed to use their results in the Balance Sheet. A significant number of candidates seemed to be confused as to whether they ought to use capital or current accounts for the adjustments to the value of the fixed assets or the creation and writing off of the goodwill. Some weaker answers had elaborate and unnecessary workings in the current accounts. Many candidates included the current account balances in the capital accounts.

(b) This part of the question was, in the main, less well done although layouts were still good. Many candidates did not include goodwill in their valuation of fixed assets. Many candidates used the original values for the current assets rather than the values agreed by the partners. Candidates taking this approach were rewarded with two 'own figure' marks for the valuation of goodwill. Once more, many candidates failed to take into account the loan and the purchase of the new fixed assets. Few candidates used the correct \$185 000 capital that Danny would use if he were to become a sole trader.

(c) This part proved to be the most difficult section of the question. Many candidates did not seem able to assess the profits that were due to Danny had he entered into partnership and very few deducted the \$20 000 interest that would reduce the available profits. A significant number of candidates were able to score maximum marks (3) for the profits that would accrue to Danny as a sole trader. However, many candidates included Yip and Sim in the calculation of Danny's profit.

(d) Almost all candidates gave Danny advice based on their own calculations from part (c). In most cases, the development was limited and further marks would have been awarded with an application of facts to the figures used in part (c). Some candidates were rewarded for their

discussion of non-financial factors although once again development of the point(s) identified have yielded higher marks.

Question 2

- (a) Most candidates were able to identify two short term measures that could be taken to resolve a forecast cash deficit. However, many candidates outlined inappropriate measures like a share or debenture issue or negotiating a long term loan. Many candidates identified measures but did not develop their answers to gain all 4 marks. The question asked for an explanation of two measures.
- (b) There were some very good answers to this part, although very few were completely accurate when using the figures given in the question. Many candidates got themselves into problems calculating the sales and purchases. Around half of all candidates produced a columnar profit and loss and appropriation account for each of the months, October, November and December. Although technically incorrect, the trading section was marked positively resulting in a maximum of 3 marks. Surprisingly, a significant number of candidates included the capital expenditure for purchases of goods for resale.

Whilst the majority of candidates calculated the general expense correctly, only a small number of candidates were able to score 3 marks for depreciation. Most incorrect answers were due to the fact that the 10% depreciation was for 3 months on all assets held 'at the balance sheet date'. Many candidates added \$11 000 to their calculation. Most candidates scored the 3 marks allocated to the appropriation section of the profit and loss account.

- (c) Most balance sheets were laid out well. However, many candidates did not show workings and so forfeited marks for fixed assets; many did not use their own figure for depreciation. Many candidates were unable to accurately calculate the debtors and creditors figures at 31 December 2009. Although the bank balance at 31 December was given in the question, many candidates did not score this mark. Many candidates forgot to include the amount representing half of the cost of the newly acquired fixed asset as a current liability. Many included the ordinary dividend as a creditor despite the cash budget showing that it would be paid in December.

Many candidates scored maximum marks for the share capital and reserves section of the balance sheet. The major problem seemed to be that many candidates appeared unaware of the process of creating bonus shares. Non-distributive reserves should be utilised first despite the instruction that capital reserves be used first.

Question 3

- (a) The statement showing the apportionment of overheads was, in the main, well done. Weaker candidates did not apportion the canteen overheads between departments A and B and so restricted the marks that could be awarded to 12. A minority of candidates apportioned the canteen overheads equally or by using some arbitrary percentages. A significant number of candidates apportioned the budgeted costs for heating and lighting using power.
- (b) Many candidates were able to calculate the appropriate method to absorb the overheads incurred in the production departments. However, significant numbers chose labour hours for department A and machine hours for department B. Surprisingly, many less well prepared candidates added labour hours and machine hours together to arrive at the denominators in the formulae. These candidates did not seem to comprehend that there should be only one overhead absorption rate for each department.
- (c) This part was, in the main, well done using the candidates' own figures from part (b). Many candidates scored the maximum of 8 marks. A minority of candidates calculated the price for job 55/ZR based purely on cost rather than cost plus 60%. Some candidates converted the mark-up into a margin and used this figure to arrive at their answer.
- (d) Surprisingly, very few candidates recognised this part of the question as a marginal costing problem despite the trigger words 'one-off order'. An overwhelming majority of candidates based their advice on a price based on absorption costing techniques. As a result nearly all candidates advised the managers of Clang to reject the order despite there being a positive contribution of \$16.70.

ACCOUNTING

Paper 9706/42
Problem Solving (Supplement)

General

It was good to see so many candidates showing detailed workings. It was also pleasing to see that in the vast majority of cases workings were labelled, thus helping the Examiner to locate 'wayward' figures. The candidates who do not show workings and rely on their calculator could be throwing away valuable part marks.

Layouts were, in the main, good. Although several alterations, especially in **Question 3**, made some figures difficult to read.

There was no evidence to suggest that candidates had insufficient time to complete the paper. The majority of candidates attempted all three questions.

The paper proved to be a good discriminator with all questions differentiating between able and less able candidates.

Question 1

(a) In the main this part was well done, although only the better candidates scored all 12 marks. The main problem areas were the use of \$50 000 as the value of shares to be shared between partners rather than the correct figure of \$120 000. The profit on realisation also proved to be a problem for many candidates. These errors resulted in 'own figures' for the cash to close the capital accounts. Some weaker candidates did not balance the capital accounts and so were left with balances to be brought down after the partnership has ceased to trade.

(b) Most balance sheets were well laid out.

Only the better candidates were able to gain the marks allocated to the goodwill calculation. The candidates who showed workings were often able to score part marks for an incorrect figure. Most candidates scored marks for the stock and trade debtors although surprisingly, a significant number of candidates deducted the partnership stock and debtors from those of the company. Better candidates scored all 5 marks for the bank balance. Candidates who showed workings achieved part marks. Many candidates did not account for the extra \$20 000 of debentures and used only the original \$120 000. The better prepared candidates scored all 10 marks for the share capital and reserves section of the balance sheet. The less well-prepared did not back up their figures with workings and so did not gain any part marks.

(c) Better candidates were able to score the maximum 5 marks. However, many candidates did not discuss a 'rights issue' of shares but concentrated their response to a public share issue.

Question 2

(a) In the main, the reconciliation was well done. Candidates were well-prepared with many scoring full marks. Candidates were able to make the correct adjustments for depreciation, disposals and the changes to the components of working capital. Only the less well-prepared candidates made errors in the direction of some adjustments. It was pleasing to note that the adjustments for depreciation were generally added to the operating profit.

Some candidates included the reconciliation of part of the main cash flow statement. This alternative approach gained appropriate marks.

- (b) The layout for the cash flow statement was, in the main, good but there were some errors where items appeared in the wrong section. Only the very best candidates produced a correct statement. Most candidates failed to arrive at the increase in cash of \$238 000, although many candidates knew that this amount ought to be the 'final' figure and inserted it despite the components not adding to this amount.
- (c) Very few candidates were able to produce a reconciliation statement. Those that did were clearly unsure of what comprised net debt at the start and at the end of the year in question. Many candidates produced a statement showing the opening and closing bank balances with a missing figure inserted.

Question 3

This proved to be the most challenging of the three questions. Candidates had problems recognising that there was wastage in all processes that had no value.

- (a) All but the weakest candidates were able to score 6 or 7 marks in this part of the question. Many candidates based their calculations for direct labour and variable overheads on use of 100 000 kg of raw materials. Most candidates were able to score marks for the transfers from process 1. Weaker candidates ignored the transfers to other processes and to the sales outlet.
- (b) This part was poorly done. Many candidates ignored the instruction to calculate the cost of one completed unit and based their calculation on the 100 000 kg.
- (c) Better candidates were able to score at least 5 marks for process 2, but many candidates based their calculation on the incorrect number of kilograms used in the process. Process 3 proved to be more problematic.

Candidates had problems with equivalent unit calculations and work in progress. But in the cases where candidates showed their workings they were able to achieve part marks that were unobtainable to candidates who did not show workings.

- (d) This part was, in the main, poorly done due to candidates' inability to determine the number of completed units.
- (e) The responses were, in the main, very poor. Many candidates did not know the meaning of the term 'by-product' and were therefore unable to give a suitable example.