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FOREWORD

This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned**.

PRINCIPLES OF ACCOUNTS

GCE Ordinary Level

Paper 7110/01
Multiple Choice

Question Number	*Key*	*Question Number*	*Key*
1	**B**	21	**D**
2	**B**	22	**C**
3	**A**	23	**C**
4	**A**	24	**C**
5	**C**	25	**A**
6	**C**	26	**A**
7	**A**	27	**D**
8	**C**	28	**A**
9	**C**	29	**C**
10	**B**	30	**C**
11	**D**	31	**A**
12	**B**	32	**D**
13	**B**	33	**B**
14	**B**	34	**D**
15	**A**	35	**D**
16	**A**	36	**C**
17	**C**	37	**C**
18	**A**	38	**A**
19	**A**	39	**C**
20	**C**	40	**C**

General comments

There were 18 919 candidates (compared to 17 974 in November 2004). The mean mark was 20.2 (compared to 20.4 in November 2004) and the standard deviation was 7.0 (compared to 7.2 in November 2005).

Comments on specific items

Items 7, 10, 14, 15, 23, 39 and 40

The key was chosen by 53%, 48%, 56%, 45%, 40%, 59%, and 55% respectively. The statistics indicate a considerable amount of guesswork by the remainder of the candidates.

Items 1, 2, 4 and 8

All these items were concerned with basic principles of ledger and journal entries. It was disappointing to see that the key was selected by only 33%, 55%, 33% and 48% respectively.

Item 13

It was expected that candidates would be able to work out the effect on fixed assets and net profit if an expense was treated as a fixed asset, but only 36% selected the key **B**. The statistics indicate a substantial degree of guesswork on the part of candidates.

Item 16

47% correctly selected the key. 35% obviously made the correct calculation, but believed that the Profit and Loss Account entry would be a credit.

Items 17 and 28

The key was selected by 30% and 33% respectively. Both these items involved bad debts and provisions for doubtful debts. Many candidates appear to have little understanding of these topics.

Items 18, 19 and 20

These items all involved year-end adjustments. The key was selected by 47%, 31% and 37% respectively, indicating a substantial degree of uncertainty on the part of a large number of candidates.

Item 21

This should have been a relatively straightforward item and it was disappointing that only 41% were able to select the key **D**.

Item 24

It was expected that candidates would be able to correctly calculate the Goodwill payable on the purchase of a business. It was very disappointing that only 49% were able to select the key **C**.

Item 30

When Goodwill is written off *after* the formation of a partnership, the calculation is based on the profit-sharing ratio (*not* according to the Goodwill originally introduced by each partner). It was extremely disappointing that only 17% were able to select the key **C**.

Items 33 and 34

These items were both on the topic of clubs and societies. The number of candidates unable to select the keys indicates a lack of understanding of this topic. **Item 33** should have been a straightforward item.

Item 36

Only 31% selected the key **D**. 33% incorrectly calculated the dividend on the authorised capital. The number of candidates selecting options **A** and **B** indicate a substantial degree of guesswork.

Paper 7110/02

Paper 2

General comments

As in previous examination sessions, there were wide variations between Centres. It was obvious from some Centre responses that candidates had not been adequately prepared for the examination. This was particularly evident with regard to **Question 1**; the essential grounding in double entry bookkeeping was very weak. Also, as in previous sessions, the candidates from some Centres made only a minimal attempt at **Questions 1** to **4** and produced good to very good answers for **Question 5**. This approach to obtaining an appropriate grade in the examination is unlikely to achieve success. All the topics in the syllabus must be given an adequate coverage.

Comments on specific questions

Question 1

Overall, with the exception of some Centres, this was poorly answered. Many candidates seemed to have a minimal knowledge of double entry system.

(a) Common errors were:

- Dates omitted.
- Incorrect narratives, e.g. credit note in place of returns, or sales instead of purchases.
- Inability to provide entries for transfers to trading account.
- Minimal recognition of the difference between an account for creditors and an account for purchases.

(b)(i) As above.

(c) Overall the required entry was recognised by many candidates.

(d) The required entries in this account were understood by only a minimal number of candidates.

Question 2

(a) The majority of candidates calculated the required figure correctly, but the use of incorrect narratives spoiled answers. Accumulated fund, or working, capitals are not appropriate when calculating the capital of a business.

(b) Overall, very confused responses. Common errors were:

- Calculating the year end capital figure but not followed through to calculate a profit/loss by utilising the answer to **(a)**.
- The addition of the provision for doubtful debts to current assets.
- A failure to calculate depreciation and state the net book value.
- Giving the depreciation figure as the year-end figure of fixed assets.

(c) A reasonable response overall. A common error was to assume that the introduction of loan money resulted in an increase in profit. Many candidates ticked all of the boxes and thus negated the answer.

Question 3

(a)(b) A varied response. Common errors were:

- Answers too vague/unspecific to gain marks.
- The same answer repeated in **(a)** and **(b)**.
- An assumption that authorised shares are given to partners and issued shares are given to employees.
- The candidates from certain Centres either made no attempt to answer the question or produced meaningless answers, which indicated that this topic had not been taught adequately.

(c) A varied response, which, again, indicated only a minimal exposure to this topic in some Centres. Common errors were:

- When stating a similarity it was common to state that either interest or dividends were paid to both.
- When stating a difference ordinary shares were introduced into the comparison.

(d) Generally well done. Common errors were:

- Dividends calculated on both authorised and issued share capital and added together.
- Debenture interest calculated correctly and then added/deducted to/from the value of debentures.

(e) Very poor answers. Many candidates tried to link this section to sections **(a)** and **(b)**, or simply stated where the items would be placed in the balance sheet.

Question 4

A very mixed response overall.

(a) Common errors:

- Many candidates expressed answers as a fraction.
- The failure to express the answer as a percentage.
- Frequently not attempted. The introduction of the capital figure to represent sales was often seen.

(b) Overall answers to this section reflected the response to sections **(a)** and **(b)**. In some instances, where **(a)** and **(b)** were calculated correctly, it was evident that candidates had not been adequately prepared to analyse the data.

Other common errors:

- A failure to identify which of the two businesses was better or worse than the other.
- To base comments on Celia Brookes with no mention of Branch or Bough.
- Where **(i)** and **(ii)** were correctly answered, to assume in **(iii)** that the mere quantity was the major factor in employing capital rather than the percentage return achieved.

Question 5

Very well answered by the majority of candidates. This is in stark contrast to the understanding **Question 1** and to an extent in **Question 2 (b)**. Being well drilled in preparing final accounts with adequate underpinning of the double entry system from which they are derived, it is worth repeating, is n strategy for grade success.

(a) Common errors:

- Stock drawings omitted or added to purchases.
- The deduction of carriage outwards from sales or purchases.
- Carriage outwards appearing in the trading account.
- The adjustment for wages and salaries either being deducted or completely missed.
- Failure to calculate the insurance prepayment correctly.
- The inclusion of the provision for depreciation balance in the profit and loss account.

(b) Common errors:

- An incorrect figure for the provision for depreciation.
- Accruals and prepayments being reversed.
- The bank overdraft being treated as a long-term loan.
- The omission of stock drawings, or deducting them from other drawings.
- Incorrectly deducting net profit from capital or adding an own figure net loss to capital.