

# PRINCIPLES OF ACCOUNTS

Paper 7110/01  
Multiple Choice

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

## General comments

There were 19265 candidates (compared to 19895 in November 2007). The mean mark was 14.8 (compared to 19.2 in November 2007) and the standard deviation was 5.7 (compared to 7.4 in November 2007)

All the questions were in the accessibility range of 25-80%. All the questions were within the scope of the syllabus.

## Comments on specific questions

### **Question 1**

The key, D, was selected by 58%. It was surprising that 25% selected A. It was expected that candidates would recognise this as being an untrue statement.

### **Questions 3, 4, 8 and 27**

These questions were concerned with basic double entry principles and the division of the ledger. The statistics indicate there is some doubt about these fundamentals.

In **Question 3** 71% realised that the double entry would involve the accounts of Leroy and sales. Only 44% selected the key, C. In **Question 4** 65% realised that the double entry would involve the accounts of Omar and purchases returns. Only 37% selected the key, C. **Question 8** should have been a relatively straightforward question, but the statistics indicate a substantial degree of guesswork. In **Question 27** 40%

realised that the entry in the wages account should be \$5000, but only 30% knew the correct answer, C.

### Question 6

It was expected that the majority of candidates would be able to identify the transactions which required a journal entry. The responses were very disappointing.

### Question 7

Only 27% correctly identified the key, B. The statistics indicate a substantial degree of guesswork. The question was more difficult as there was a bank overdraft. However, candidates should have been able to calculate that the bank statement balance would have shown a smaller overdraft because of the un-presented cheques, and a larger overdraft because of the cheques banked. They should also have realised that a debit balance on a bank statement represents an overdraft.

### Questions 9 and 15

These questions were both concerned with an item being placed in the wrong column of a trial balance or on the wrong side of a ledger account. In each situation, candidates should have realised that the difference would be twice the amount of the original error. In **Question 9** 77% realised that the debit side of the trial balance would be less than the credit side, but only 29% remembered to double the figure. In **Question 15** 69% knew that the motor expenses account should be debited and the suspense account credited, but only 43% remembered to double the figure.

### Questions 10, 11 and 22

These questions concerned year-end adjustments. This is obviously a topic which many candidates found difficult. In **Question 10** it was disappointing to find that 51% selected C (the amount paid during the year with no adjustment for prepayments). In **Question 11** 64% realised that the accounts involved were the profit and loss and provision for doubtful debts, but 31% selected C (the entries for increasing a provision). In **Question 22** 53% selected the key, D, but the selection of the other options indicates some element of guesswork.

### Question 12

It was disappointing that only 57% could successfully calculate the amount of revenue expenditure for transfer to the profit and loss account.

### Question 13

It was anticipated that this would be a relatively easy question. The statistics were very disappointing.

### Question 14

75% correctly calculated the figure of \$200, but only 58% recognised it as a loss.

### Questions 16 and 25

The statistics indicate that the preparation of a purchases ledger control account or a total creditors' account is a difficult topic for many candidates.

### Question 18

The key, D, was selected by only 48%. A significant number ignored the drawings (A) or deducted the difference in the capital from the drawings (B).

### Question 19

The statistics were very disappointing. It had been anticipated that the majority of candidates would be able to select the key, C.

**Question 20**

48% selected the key, A. It was disappointing that 37% selected C (deducting the current liabilities total assets).

**Question 24**

The key, D, was identified by 44%. The selection of the other options suggests that many candidates find the topic of partners' ledger accounts difficult.

**Question 28**

This should have involved an easy calculation and it was disappointing that only 50% selected the key, B.

**Question 29**

The key, A, was selected by 39%. It was disappointing that 30% believed that the statement referred to the going concern principle.



# PRINCIPLES OF ACCOUNTS

Paper 7110/02

Paper 2

## General comments

The performance of candidates varied between Centres. It was again evident that candidates from some Centres relied on the final accounts question in order to obtain marks. In many instances questions three and four were not attempted, indicating that the topics of the questions had not been adequately covered. As previously, it is necessary to emphasise that all topics on the syllabus must be taught in order to enable candidates to obtain success in the examination.

## Comments on specific questions

### Question 1

- (a) The required trial balance should have been a simple test for the majority of candidates. In many responses a failure to provide a total balance figure was in evidence. Additionally only a minority of candidates utilised a suspense account figure where totals failed to agree.
- (b) Most candidates identified one use of the trial balance, e.g. to detect errors. The majority failed to state that it also acts as a basis for the preparation of final accounts.
- (c) Overall this part of the question was well answered but there was some confusion when matching the names of errors to the particular reasons for the error.
- (d) This section was often answered correctly, but for no apparent reason, based on the question, some candidates doubled the figures or introduced a suspense account entry.
- (e)
  - (i) The majority of answers to this part of the question were restricted to being able to see the balance after each transaction. Only a minority were able to identify the example as the running balance format.
  - (ii) Although the means of answering this part of the question was given on the page of the question paper only a minority of candidates pointed out that profits had been recorded and that the owner had made drawings.

### Question 2

- (a) The response varied from Centre to Centre; many correct sales figures being calculated by candidates. In some instances some candidates failed to appreciate that, in addition to the cash collected and cash discounts, bad debts would have been the result of sales made. Also, the cash sales figure was erroneously treated, i.e. given as a minus instead of a plus when calculating the required figure.
- (b) This reflected the attempts to (a) above and many correct answers were provided. It was obvious that in some cases candidates did not recognise the basis of the calculation required.
- (c)
  - (i) Although many correct answers were provided a common error was to put forward only the labour costs for one week, not the fifty weeks required.
  - (ii) Good answers overall, but it should be noted that taxation is not an additional payroll cost.

- (d) Many candidates were able to identify net profit as the basis of the decision to award wages. Some candidates identified the link between wages and other expenses and the effect on profit. In many instances where expenses were given there was no development of the point. The identification of working capital and the implication for liquidity was only mentioned by a small number of candidates.

### Question 3

As stated previously many candidates did not answer this question.

- (a) A very varied response. The basic test of comparing given assets and a liability, i.e. the use of the balance sheet equation was not recognised.
- (b) The preparation of the subscriptions account varied. Marks were lost for having inappropriate narratives and in several cases a schedule rather than an account was given. Additionally, some candidates attempted to produce an income and expenditure account, which was not requested.
- (c) Many confused answers. Most candidates were unable to apply the accounting concept to clubs, i.e. make the point that subscription income is a time based calculation and adjustments are required for prepayments and accruals.

### Question 4

Again this question was noticeably omitted on a large number of papers.

- (a) Many candidates included debenture interest in the appropriation account. Incorrect narratives were also often used.
- (b) Poor answers overall. The majority of candidates listed the assets and liabilities and treated capital as if relating to a sole trader. Also, the share dividends were shown instead of the share capital and the general reserve, when given, was not adjusted.
- (c) Many candidates were able to correctly state the difference between authorised and called-up shares.
- (d) Good overall, but confusion arose with regard to the voting rights of shareholders. Also, the appropriate application of the terms dividend and interest to shares and debentures was not well understood.
- (e) Again candidates often gave reasonable answers, but the implication of interest for debentures and dividends for shares was once more a point of confusion.
- (f) Varied responses. The concept of prudence and the valuation of stock were indicated by many candidates. Also, the effect on profit was given.
- (g) Where the topic had been taught good answers were given, indicating accounts were comparable and understandable. Answers that indicated there would be fewer errors or accounts would be more accurate were not acceptable.

### Question 5

A good response overall. The main errors were as follows:

- (a)
- Several candidates commenced erroneously with the sales figure
  - Quite often the provision for depreciation was given as 20,000, i.e. omitting the residual value in their calculation
  - The factory indirect and direct overheads were often deducted from the prime cost and/or cost of raw materials consumed respectively
  - The factory manager's salary was often mistakenly shown as a prime cost
  - Occasionally, the adjustment for work in progress was treated as an addition to costs rather than a deduction
  - Appropriate narratives were used

- (b)
- The majority of candidates failed to link the purchases returns with the purchases
  - Many omitted the cost of production
  - Some included stock of raw materials, work in progress and finished goods in the purchases account
  - Very few candidates calculated and treated the reduction in provision of doubtful debts correctly
  - The provision for depreciation on office equipment was often miscalculated
- (c) Many candidates gained good marks for this section.
- Several lost marks for not using the accumulated depreciation to date figure, i.e. including the present year's depreciation.
  - Only a minority of candidates provided a correct net figure for the debtors.
  - Some candidates entered the prepayments and accruals in the wrong sections.
  - The cheque received, \$4,800, was not often correctly adjusted with regard to the overdraft figure of \$3,600 to give the correct bank balance figure.