

# ACCOUNTING

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**Paper 9706/11**  
**Multiple Choice**

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

## General comments

A total of 74 candidates took this paper. Candidates performed poorly in this session with 47% of achieving a score of 16 or more out of 30. The median score was 15, with the mean slightly higher.

Some questions proved easy to candidates, with **Questions 8, 10 and 20** answered correctly by 75% or more of candidates. These questions mainly focused on financial accounting. There was only one question which candidates found difficult and that is considered below.

## Specific questions

### **Question 14**

This question asked candidates to consider the need for a one sided journal entry, a transaction unusual in itself. The total of the purchase ledger balances had been incorrectly added and included in the trial balance. The only adjustment which needs to be made is to adjust the suspense account.

### **Question 15**

This was a knowledge based question. The key was **C** as the summary of receipts and payments would be used in the preparation of accounts from incomplete records.

### Question 17

The value of goodwill for the partnership would be  $\$10\,000 \times 5 = \$50\,000$ . The adjusting rules for this are to credit the old partners in their old profit sharing ratios, thus crediting Y with  $\$25\,000$  and then to debit Y in the new profit sharing ratio with  $\$20\,000$ . Thus the closing balance on Y's capital account after this would be  $\$85\,000$ , being the correct key.

### Question 19

Candidates seem to find difficulty with the calculation of a profit or loss on disposal of non-current assets. The depreciation on the vehicle disposed of was

$(\$12\,000 - \$2\,000) \times 25\% \times 3 = \$7\,500$ , leaving the net book value as  $\$12\,000 - 7\,500 = 4\,500$ . With sale proceeds of  $\$3\,500$  the loss on disposal must have been  $\$1\,000$ .

### Question 30

The cash payable to suppliers must have been  $(\$20\,000 + \$1\,000) \times 80\% = \$16\,800$ . It appears from the answers given that candidates may have misread the question as being: what are the total payments to suppliers in March, which would have given the answer as D, the most popular with candidates.

### Overall comment

The relatively small number of candidates taking this paper may mean a true representation of ability was not reflected in the overall percentages. There are some areas which Centres can consider in their teaching being disposal of non-current assets and simple cash budgets.

# ACCOUNTING

**Paper 9706/12**  
**Multiple Choice**

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

## General comments

A total of 6621 candidates took this paper, with 56% of candidates achieving a score of 16 or more out of 30. The median score was 16, with the mean slightly higher. It was good to note that 39 candidates did achieve the maximum mark for the paper.

Some questions proved easy to candidates, with **Questions 5, 11, 18 and 20** answered correctly by 75% or more of candidates. There were some questions which from the data proved challenging for candidates. These questions are considered below.

## Specific questions

### **Question 8**

The only transaction which would have resulted in the creation of a suspense account would be C. Bank interest received must have been a credit entry and was wrongly debited, thus resulting in two debits and no credit, a common situation for the use of a suspense account.

### **Question 22**

Most candidates correctly used the profit from operations as the numerator for the calculation of ROCE but forgot to include the debenture as part of the capital employed, thus resulting in the most popular, but incorrect answer of C.

**Question 26**

The increase in sales was \$250 000, resulting in an increased profit of \$150 000. The only thing which could have caused this was an increase in the contribution, as fixed costs remained unchanged. Thus the contribution to sales ratio was  $150\,000 \div 250\,000 = 60\%$ .

**Question 30**

This question may have been so straightforward that candidates started to look for something more difficult. The first sentence read 'A company plans to make the following payments in June 2014.' The rest of the data about items 1 and 2 was not relevant to the answer.

# ACCOUNTING

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**Paper 9706/13**  
**Multiple Choice**

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

## **General comments**

A total of 1198 candidates took this paper with 67% of candidates achieving a score of 16 or more out of 30. The median score was 19, with the mean slightly higher.

There were a number of questions which candidates found particularly easy: **1, 5, 7, 12, 13, 14** and **17**.

There were no questions which proved difficult for candidates.

Overall, therefore this was a well attempted paper. Centres are to be congratulated for the effort made in preparing their candidates.

# ACCOUNTING

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<p><b>Paper 9706/21</b> <b>Structured Questions (Core)</b></p>
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## Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions.

The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

## General comments

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a good grade.

When preparing for the examination candidates are advised to work through relevant questions on previous examination papers and appropriate exercises in textbooks.

## Comments on Specific Questions

### Question 1

- (a) Only the trading section was asked for but many candidates opted to also produce an income statement.
- (b) The calculation of the gross profit percentage was well completed by most candidates.
- (c) The answers to this task were generally disappointing. Candidates appeared not to realise that "lower sales" is not the same as "a lower selling price" – the first suggests that fewer articles are sold, which has no effect on the gross profit percentage, whereas lowering the selling price does change the GP percentage.
- (d) There was some confusion here amongst those who had already completed an income statement in (a). The net subscriptions were correctly calculated but only a few correctly calculated the profit on the concert. The main problems were in the calculation of interest on loan and loss on sale of equipment.
- (e) The statement of financial position was fairly well attempted, though very few showed workings for the accumulated fund, where they would have been awarded additional marks.

### Question 2

- (a) The candidate's responses to parts (i) (ii) and (iii) were of variable quality. It appears that candidates have difficulty completing ledger accounts related to the disposal of non-current assets.

- (b) Almost all achieved the marks available for giving alternative methods of providing for depreciation, though a surprising number did not realise that they had been applying the straight line basis, and gave it as an alternative.
- (c) Candidates were able to identify the causes of depreciation.
- (d) Well answered by the majority of candidates.
- (e) Candidate responses were of variable quality.

**Question 3**

- (a) Good marks achieved by the majority of candidates though most used mark-up rather than margin when calculating profit.
- (b) Candidates were required to divide the departmental overheads (given) by the number of hours (also given). The administration overhead was slightly more difficult to calculate but should have been straightforward for candidates.
- (c) Most candidates gained some marks here through using their own figures from earlier in the question.
- (d) Some candidates had difficulty understanding the difference between margin and mark-up.

# ACCOUNTING

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**Paper 9706/22**  
**Structured Questions**

## Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions.

The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

## General comments

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a good grade.

When preparing for the examination candidates are advised to work through relevant questions on previous examination papers and appropriate exercises in textbooks.

## Comments on Specific Questions

### Question 1

- (a) This was well answered by the majority of candidates.
- (b), (c) These were possibly the most difficult questions in the paper and posed a problem to many candidates. Those who correctly attempted (b) tended to also correctly attempt (c). There was a great variety of workings shown but the best candidates scored full marks here.
- (d)(i) Mostly good answers, where candidates understood liquidity, though it was not uncommon for candidates to think that the question referred to a business which was insolvent.
  - (ii) Most candidates answered this correctly.
  - (iii) Often misunderstood by candidates who made use of ratios not given in the question.

### Question 2

- (a) This was well attempted by most well prepared candidates but weaker candidates attempted, unsuccessfully, to answer the question by drawing up an income statement. The most common error was in the calculation of loan interest.
- (b) Good answers in the main provided the candidates used the correct formula. Those who tried different approaches showed a lack of understanding.
- (c) A large majority based their answers on the change of ownership as a cause of goodwill, due to Kayal's investment



- (d) Almost all candidates gained marks here, though many were “own figures” based on previous errors. Frequently goodwill was omitted from one side of the account or the other, presented the wrong way round, or omitted.
- (e) Many candidates gained full marks here, usually with the help of “own figures” from previous answers. Apportionment of profits was the main area of difficulty.

**Question 3**

- (a) The majority of candidates scored full marks here.
- (b) This was well answered by most candidates but weaker candidates presented their answers in percentages.
- (c) Most candidates answered this correctly.
- (d) Mostly well-answered though the weaker candidates appeared to confuse money and material.
- (e) There were considerable problems here – about half of the candidates were unsure of how to, or did not understand the need to, rank the products. Fixed costs were split amongst the products. Some used a total approach whereby all three products were added together.
- (f) Textbook answers were given by many, even those who had no great ability to cope with calculations.

# ACCOUNTING

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**Paper 9706/23**  
**Structured Questions**

## Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions.

The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

## General comments

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a good grade.

When preparing for the examination candidates are advised to work through relevant questions on previous examination papers and appropriate exercises in textbooks.

## Comments on Specific Questions

### **Question 1**

- (a) There were many excellent responses to this part of the question. Several candidates started the account with revenue and some omitted the carriage in total and were penalised accordingly. Another common error was the subtraction of the indirect expenses from the prime cost.
- (b) This part of the question was also generally answered well. Common errors included the omission of the gain on disposal and the calculation of the depreciation on motor vehicles.
- (c) This part was less well answered with a significant number of candidates not able to give appropriate explanations. Some merely reproduced the wording of the question and answered 'affected' or 'not affected'. Candidates need to provide a specific answer to each part of such a question in order to gain the marks.

### **Question 2**

- (a) This part was generally well answered. Some candidates did not state the formula despite this being a specific requirement of the question and some omitted the suffixes. Most candidates calculated the current and acid test ratios correctly and the two ratios which proved the most testing were the operating expenses to revenue ratio and the non-current asset turnover ratio.
- (b) Candidates need to improve on their written skills and ensure that they are answering the question. There were relatively few good answers to this section. After stating that the ratios have increased / decreased candidates should then state whether this is good or bad for the business and then identify the reasons but with a few exceptions this was not achieved.

- (c) This section was answered less well, too. Candidates need to read the question carefully - the question asked for two limitations but many candidates merely stated the use of ratios.

### Question 3

- (a) Most candidates were able to correctly value the inventory using FIFO. Fewer were able to perform the calculation correctly using AVCO but there were no common errors and in line with the rest of the paper the computations are generally performed to a high standard.
- (b) Also well answered with many candidates scoring full marks for the FIFO gross profit but fewer being able to make the same calculation correctly for the AVCO gross profit which was the same pattern as for part (a) of the question.
- (c) This part was less well answered with candidates often stating 'easy to calculate' and 'not easy to calculate' without addressing the accounting aspects of the two methods of inventory valuation.
- (d) Most candidates correctly discussed consistency as a reason but few were able to provide a valid second reason.
- (e) There were very few fully correct responses but most candidates scored some of the marks for correctly accounting for some of the four adjustments. There were no common errors or omissions.

# ACCOUNTING

Paper 9706/31  
Multiple Choice

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

## General comments

A total of 39 candidates took this paper with 54% of candidates achieving a score of 16 or more out of 30. The median score was 16, with the mean slightly higher.

Some questions proved easy to candidates, with **Questions 5, 8, 11, 12 and 30** answered correctly by 75% or more of candidates. These questions mainly focused on financial accounting, with the exception of **Question 30**. Some questions did prove difficult and showed a lack of basic knowledge by candidates. They are reviewed below.

## Specific questions

### **Question 1**

This question concentrated on what items are capitalised on the purchase of a new machine. Apart from the build-up of inventory all the other items are capitalised. Thus the total cost of the machine to depreciate was \$80 000 at 20% = \$16 000 (**C**), rather than just the basic price of \$70 000 which was the option chosen by most candidates.

### **Question 4**

Again, this was a knowledge based question where candidates had to identify which item would not be disclosed in a limited company's income statement. The answer here was **C**; the ordinary dividends paid which will appear in the statement of changes in equity.

**Question 16**

This question considered the calculation of an impairment loss. Only one of the items listed (asset 1) required to be impaired by \$5000.

**Question 23**

As there was a shortage of raw materials then this becomes a limiting factor in the preparation of budgets. The sequence of preparing the budgets must then be built around this limiting factor; hence the first budget prepared would be the production budget and not the overheads budget which was the response of most candidates.

**Question 28**

Candidates were asked to calculate the accounting rate of return in relation to a project. This involved not only adding up the cash inflows, which was the response most candidates opted for, but deducting the capital cost; working out the average profit and dividing this by the average investment to calculate a percentage return.

**Overall comment**

As indicated in the opening paragraph there is a lack of knowledge amongst candidates, particularly the requirements of the international accounting standards. Both MCQs and structured questions have been asked on these topics over the last two years and it is disappointing to note that Centres appear not to be covering this in their teaching.

# ACCOUNTING

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**Paper 9706/32**  
**Multiple Choice**

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

## **General comments**

A total of 4 372 candidates took this paper with 60% of candidates achieving a score of 16 or more out of 30. The median score was 18, with the mean slightly lower. It was also pleasing to note that 45 candidates achieved the maximum mark of 30 for the paper.

Some questions proved easy to candidates, with **Questions 3, 14, 23 and 30** answered correctly by 75% or more of candidates. The data indicates that there was no questions which appeared to cause a degree of difficulty to the candidates, thus no specific questions will be reviewed.

However, as a general comment there is a lack of knowledge amongst candidates, particularly of the requirements of the international accounting standards. Both MCQs and structured questions have been asked on these topics over the last two years and it is disappointing to note that Centres appear not to be covering this in their teaching.

# ACCOUNTING

Paper 9706/33  
Multiple Choice

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

## General comments

A total of 690 candidates took this paper with 70% of candidates achieving a score of 16 or more out of 30, an increase of 7% over the previous examination. This is reflected in the median score of 20, with the mean slightly lower.

Some questions proved easy to candidates, with **Questions 3, 4, 8, 9, 14** and **18** answered correctly by 75% or more of candidates. These questions mainly focused on financial accounting. Some questions did prove difficult and showed a lack of basic knowledge by candidates. They are reviewed below.

## **Specific questions**

### **Question 7**

This question considered how many shares a partner would receive when selling their business to a new company. The first thing to note was that there was a profit of \$50 000 on realisation, split equally between the partners. This increased the balance of Y's capital account to \$125 000. At this point Y's capital and current account balances with the partnership netted \$155 000. The 8% debenture received by Y in part consideration amounted to \$50 000, leaving a balance of shares valued at \$105 000 due as the remaining settlement (**D**)

### **Question 20**

Candidates were asked to value a closing inventory at marginal cost. The three elements which should have been included were the direct material and labour elements, together with variable overheads, a total of \$22 per unit. The variable selling overheads are not allowable for inclusion. The calculation was, therefore

\$22 x 1500 units = \$33 000 (**B**)

**Overall comment**

This was a very good result for those taking the paper. Centres are to be congratulated for the improvements shown.



# ACCOUNTING

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**Paper 9706/41**  
**Problem Solving**

## Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions. The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

## General comments

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a good grade.

When preparing for the examination candidates are advised to work through relevant questions on previous examination papers and appropriate exercises in textbooks.

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

## Comments on specific questions

### Question 1

- (a) A variety of responses with many candidates unable to correctly treat goodwill and the revaluation in the capital accounts. A common error was to omit the transfer from Adam's capital account or if it was included as a loan then the rest of the amount due to him was incorrectly brought down as a balance.
- (b) This part of the question was generally either extremely well or extremely poorly done. A clear layout was vital. Many candidates forgot to adjust gross profit for the damaged inventory, although most correctly adjusted for the prepaid rent and the accrued electricity. The loan interest was either omitted or entered as the annual amount of \$5000 rather than for three months. Basharat's salary was also entered as the annual amount of \$10 000 rather than the amount for three months.
- (c) Candidates often answered this question well as the own figure rule was applied whereby the figures from part (b) were used within the current account. Candidates used a variety of approaches often splitting the current account into two periods and balancing twice. The most common error was to bring down a balance for Adam rather than give him cash to close his account down on his retirement.
- (d) This part was not answered well although many candidates referred to the fixed rate of dividend and fixed interest rate.

### Question 2

- (a) This part was quite well answered on the cost section but not so well answered on the depreciation section. Few candidates correctly calculated the charge for the year with many forgetting to apply the reducing balance method and adjust for the \$150 and instead calculated the charge using the

straight line method. The net book value at 31 December 2011 was often not stated. Few candidates presented their answer in good format.

- (b) This part was often very well done with many correct calculations for the administration expenses and distribution costs. However few candidates correctly labelled their profits throughout the statement. The business is a plc. so the income statement should be presented in good format. A common error was to omit the loss on the disposal of non-current assets.
- (c) Although some candidates did not know what a statement of changes in equity was, others were able to produce a reasonable chart in good format.
- (d) This was well answered with many candidates bringing forward their own figures from parts (a) and (c). A few candidates did not appear to realise the link between the statement of changes in equity and a statement of financial position.
- (e) Many candidates knew that proposed dividends were a non-adjusting event although a few still believed that they were recorded as a current liability and in the appropriation account.

### Question 3

- (a) (i) This was reasonably answered by many candidates who showed good supporting calculations and an understanding of adjustments required for opening and closing inventory. However, a good number also showed no workings at all and did not use a good format to present their answer. A small number of candidates confused units with dollars, or sales with production.
- (ii) Generally well done, although some candidates forgot to adjust for the movement in inventory and just multiplied raw materials used in production by \$3. Some candidates wasted valuable time by providing calculations for May. Good layouts were vital for both the budgets in a (i) and a (ii).
- (b) Again answered reasonably well. Most candidates could calculate the values for 1 January 2014 but fewer could apply and value their inventories from their budgets in (a)
- (c) (i) Surprisingly this was not answered well. Some candidates seemed unsure of the layout of a manufacturing account and could not apply their own data to the question. For example few brought their own figures down from the purchases budget.
- (ii) This was well answered. Candidates need to remember to label the cost of sales and that only finished goods are recorded in the income statement.
- (d) This was well answered and many candidates could state more than two advantages.
- (e) Candidates found this harder than part (d) although most candidates mentioned setting a budget too high can demotivate the employees.

# ACCOUNTING

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**Paper 9706/42**  
**Problem Solving**

## Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions. The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

## General comments

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a good grade.

When preparing for the examination candidates are advised to work through relevant questions on previous examination papers and appropriate exercises in textbooks.

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

## Comments on specific questions

### Question 1

- (a) A variety of responses with many candidates unable to correctly calculate the adjusted share capital following the writing off of the retained earnings and loss. Many candidates achieved full marks here and seemed to understand exactly what was required by the rest of the question from then on. Some attempted a form of "earnings per share" calculation and/or recalculated the number of ordinary shares in issue (2.4 million was a common finding). Failure to read the question carefully as to the date of the calculation meant that some candidates inadvertently calculated the answer to (d) here. Many candidates provided minimal or no workings so little credit could be given in these cases.
- (b) This part of the question was generally either extremely well or extremely poorly done. Many candidates were able to show the reduction in the different assets, although layouts varied. However many candidates seemed to have no focus as to what was required. Some attempts were made at a form of trial balance but candidates seemed unclear as to what any balancing figure represented in terms of share capital. There was frequent confusion as to whether this was a reduction in the share capital or a revised share capital figure. Common errors were to increase the value of land and buildings by \$50,000 rather than reduce it, showing a value for goodwill of \$40,000, the complete omission of investments, as well as ignoring the effect of the retained losses.
- (c) Regrettably a number of candidates who provided completely correct calculations in part (b) did not then seem to understand the link as to how this should be used in the statement of financial position. Generally however, this part of the question was quite well done with many candidates achieving full or nearly full marks. A good number of candidates often spotted that goodwill should be treated as an intangible non-current asset. Common errors were to increase the value of land and buildings by \$50 000 rather than reduce it, show goodwill as \$40 000 amongst the rest of the

non-current assets, failing to show a net trade receivables value or treating the bank overdraft as a current asset.

- (d) If candidates had performed well in parts (b) and (c) this posed no problems for them and they scored full marks. However many candidates calculated the number of shares as 2.4 million and others lost marks by not applying their own figure from part (c).
- (e) (i) This was generally poorly answered - although many candidates could identify an adjusting event, only a small number of candidates could identify a non-adjusting event – a common answer provided was that of obsolete inventory. Also often candidates used examples not specific to the question details. Part (ii) was even more poorly answered. Those who did attempt it often repeated items from (i) but failed to provide a reason for the disclosure.
- (f) Again a written part of the question which was poorly addressed. Often three of the same sorts of items were mentioned (e.g. instead of commenting on an impairment review requiring write downs in the asset values, candidates listed three individual assets affected by this). Frequently candidates gave generic responses on the contents of a directors report rather than items relating to the scheme of reconstruction.

## Question 2

- (a) This part was quite well answered although many candidates failed to bring the balances down. The cash introduced by Coral was often shown as a credit of \$7,000 and referred to as capital rather than cash/bank. Goodwill caused some confusion - a number of candidates attempted to net off the goodwill effect for A and B and showed correct credit entries of \$1,800 and \$1,200, but then contaminated this by additional debit entries for goodwill. A few candidates also included extraneous items such as profit share, interest on capital, revaluation of assets etc.
- (b) This part was often very well done with many correct calculations for gross profit although the most common error was the adjustment to closing inventory where there were a variety of combinations of how to apply \$950 and \$450. Once again many candidates did not show their workings for this calculation.
- (c) Whilst many candidates produced good answers to this question, others failed to apportion the income statement and appropriation account. Some failed to split the statements at all, and some calculated an overall net profit and then applied this over the two periods for the appropriation. Errors in calculation down to the net profit figure included attempts to adjust for the write-down of inventory and accrued general expenses. Some candidates also seemed to calculate depreciation on a straight line basis rather than the reducing balance required by the question. Salaries were often entered for the whole period rather than just for the three months and interest on capital was rarely calculated properly either by incorrect apportionment over time, or by incorrect application of the interest rate. Many candidates did not seem to make the link between the gross profit calculated in part (b) and how to then use this here, often recalculating a revised gross profit as part of the income statement. The own figure rule was applied for the share of profits.
- (d) This was well answered, although a few candidates did try to hedge their bets by stating “equally or in the ratio of capital”. A number provided unrequired details as to the treatment of interest on capital etc.
- (e) There were variable answers here, although many candidates were able to show the correct salary and interest for Coral prior to entering the partnership. Few candidates however, included all components for her as a partner and often omitted interest on capital. This did not compare “like with like”. Another error was to compare an amount for the annual income prior to entering the partnership with a three month amount in the partnership. A few misinterpreted the question and discussed the benefits of partnership versus employment rather than merely providing a judgment as to whether Coral was now better off or not. Some seemed to be tempted to discuss the relative status/or earnings of each partner.

### Question 3

- (a) (i)** This was reasonably answered by many candidates who showed good supporting calculations and an understanding of adjustments required for opening and closing inventory. However, a good number also showed no workings at all and did not use a good format to present their answer. A small number of candidates confused units with dollars, or sales with production, and there were even some attempts at FIFO or equivalent valuations. A common error was to include purchases above the inventory limit.
- (ii) and (iii)** Candidates for the most part ignored opening balances and credit sales/purchases, dealing only with receipts and payments. Discounts allowed and received were frequently ignored or not shown separately. Although many candidates entered the correct receipts and payments for March and April, few entered the correct amounts for January and February with many candidates not dealing correctly with the trade receivables/trade payables from November and December. It was also clear from answers to **(b)** that candidates did not have a clear idea at all as to what their figures represented, supported by a confused variety of labels and narrative. Some candidates wasted valuable time by providing calculations for May also.
- (b)** Again not answered well. Many candidates omitted inventory or included it in units rather than in a monetary value. Trade receivables and payables figures were taken from **(a)** without seemingly any understanding of what they represented. It was disappointing that a number of candidates correctly identified the closing April trade receivables and payables balances but failed to see a link with their incomplete earlier answers. Many candidates entered totals for the period by adding together figures for January to April to use as closing balances rather than the balances at the end of April.
- (c)** Many candidates did not attempt this part at all. Others attempted a variety of part calculations with no final answers, often though demonstrating a vague idea of the approach but failing to carry this through. Part **(ii)** was most frequently attempted and many produced the correct answer. Some candidates did not present their answer with the correct expression e.g. % sign.

# ACCOUNTING

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**Paper 9706/43**  
**Problem Solving**

## **Key messages**

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions. The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

## **General comments**

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a good grade.

When preparing for the examination candidates are advised to work through relevant questions on previous examination papers and appropriate exercises in textbooks.

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

## **Comments on Specific Questions**

### **Question 1**

- (a) Very few candidates scored full marks although nearly all made a reasonable attempt at producing the statement. Most common error was the incorrect positioning of the preference shares and relatively few candidates correctly calculated the value of cash and cash equivalents.
- (b) This part was well answered with many candidates scoring full marks.
- (c) Very few candidates calculated the capital redemption reserve correctly but nearly all were able to calculate the resultant share premium on the rights issue.
- (d) This part was poorly answered with candidates often bringing in cash based transactions. Very few candidates accounted correctly for the premium on redemption.
- (e) The required statement was generally produced to a high standard with a good layout. Some candidates omitted the revaluation reserve but even candidates who had not performed well in the earlier parts frequently scored high marks by bringing their own often incorrect figures in to the statement.
- (f) Most candidates were able to explain the required purposes of the balances but nearly all only mentioned the issue of bonus shares with regard to the share premium account.

## Question 2

- (a) A significant number of candidates omitted the revaluation reserve in the calculation and lost one of the available marks but a reasonable attempt at the calculation was made by nearly all and there were many correct solutions.
- (b) This part was very well answered with many candidates scoring full marks. The presentation of the statement showed a marked improvement to previous diets. The two most common errors were the inclusion of the revaluation reserve and the omission of the drawings.
- (c) This was also well answered with most candidates providing reasonable illustrated explanations.
- (d) Most candidates calculated the dividend yield correctly but errors frequently occurred in relation to the calculation of the other two ratios. The debenture was often omitted from the denominator in the calculation of the gearing ratio and the interest was often either omitted or subtracted from the profit in the numerator while calculating the interest cover.
- (e) This was generally well answered although a significant number of candidates did mix the companies up and therefore lost marks as their statements were consequently incorrect.

## Question 3

- (a) Most candidates were able to state the required formulae correctly.
- (b) This part was well answered with many candidates scoring the full twelve marks. A few did treat the selling price variance incorrectly as adverse and therefore lost a mark. Those that did make errors often scored part marks for parts (iii) and (v) by using their own incorrect figures.
- (c) Again well answered by the majority with many fully correct solutions. Some candidates struggled as a consequence of not starting with the budgeted contribution as per the question.
- (d) This was well answered by most candidates with no common errors.
- (e) There were mixed responses to this part of the question. Most were aware of the cost of purchase but fewer were able to give examples of cost of conversion.