

ACCOUNTING

Paper 0452/11
Paper 11

Key messages

Candidates should avoid using abbreviations such as BBD and BD when preparing ledger accounts. Ideally balance b/d or c/d should be written.

Labelling items is extremely important when preparing income statements or statements of financial position. Again, abbreviations such as COGS for cost of goods sold or GP and NP for gross profit and profit should not be used.

Candidates should always indicate where they may have re-written an answer if they have written in a different section of the answer booklet.

General comments

The paper was well attempted by a number of candidates.

Comments on specific questions

Question 1

Candidates found parts (a), (f) and (h) challenging. These have been discussed below.

- (a) This question involved correcting an entry of discount received. Candidates should be encouraged to write the entry which took place and then to correct it.
- (f) Candidates in the main opted for B without considering the apportionment of 'interest on capital'. Some opted for D which included, incorrectly 'drawings'.
- (h) Candidates did not perform well in this question. Candidates should practice writing a condensed manufacturing account indicating an increase in closing work in progress. This will show the effect on cost of production and consequently the effect on the transfer of the cost of production to the trading account.

Question 2

- (a) This was well answered, although some candidates used abbreviations, and others confused the signs – for example a common incorrect answer was 'assets = capital – liabilities'.
- (b) Many candidates scored two of the available three marks here for stating reasonable meanings for liability and inventory. Only a relatively small number of candidates achieved a mark for correctly and fully defining an asset. The vast majority of candidates offered 'something that a business owns' but omitted 'owed to a business'. A small number of candidates described inventory as goods bought and sold and not the stock available to be sold.
- (c) Responses to this question were excellent with almost all candidates recognising 'duality' or 'dual aspect'. Less confident candidates offered other principles or repeated 'double entry'

- (d) This question was generally well answered with candidates being awarded four marks. There were relatively few reversals of entries and the other problem lay with naming Taha as the account to be credited.
- (e) While most candidates answered this question correctly, a small number confused sales with purchases and others named the 'sales journal' or 'nominal ledger'.
- (f) The only statement candidates were weak on was in thinking that changes to provision for doubtful debts involved movement of cash and bank balance.
- (g) This question was very well answered with the majority being awarded full marks. Only a small number of candidates could not work out that the chairs must total \$750, and if there were 10 of them then they must be \$75 each.
- (h) Most candidates did identify the correct figure, although a number did state \$1750.
- (i) This was well answered, although some candidates thought the document was a debit note, and others misread the question and stated the book of prime entry.
- (j) Candidates generally stated that a trading business sells goods and then went on to say that a service business doesn't, without expanding it. Some went into detail about Andy holding inventory but the service business doesn't. Many candidates tried to draw out the differences between the financial statements prepared by each type of business. A few candidates believed that a service business was a 'not for profit' organisation.

Question 3

- (a) This question proved challenging to a large number of candidates. Common responses were 'purchases are assets', 'because Zameer buys on credit' or 'amounts paid in advance'. Candidates may have thought this was a more difficult question than it was rather than an 'expense/cost to the business'.
- (b) This question was answered correctly in the majority of cases.
- (c) Many candidates found preparation of ledger accounts challenging. In the Purchases account the common mistake was in entering three individual transactions rather than the total purchases for the week and then went on to carry a balance down rather than closing the account off with a transfer to the income statement. Candidates must read the question carefully to be sure they understand what they are being asked. The rent payable account was answered slightly better, the main problem being the calculation of the prepayment - \$600 was common and the transfer to the income statement. In majority of cases candidates correctly entered dates of the transactions.
- (d) This question was correctly answered by a large number of candidates.
- (e) The most common answer for revenue receipt was correctly 'sales of inventory' but for capital receipt candidates offered 'sale of a fixed asset' rather than the 'proceeds from the sale of a fixed asset'. A number of candidates misread the question and answered in terms of payments.

Question 4

- (a) This question was very well answered. A few candidates misunderstood the question by stated where inventory would occur in the financial statements.

- (b) Only a small number of candidates gained full marks in this question. The mistake that most candidates made was in incorrectly calculating the sales made at \$60. Having correctly calculated the sales at \$40 they did not deduct this off the total sales for the year and hence used 1920 clocks resulting in sales of \$117200. Many did not use the opening and closing inventory. Few candidates calculated the 'number of clocks held' but did not turn this into a monetary amount, clearly misunderstanding the question.
- (c) Many candidates were very confident with this question. Using their own revenue figure calculated in (b) allowed many candidates to gain full marks. A number of candidates calculated the correct \$ purchases but used quantity figures for opening and closing inventories.
- (d) A large number of candidates found this question challenging. Many candidates did not recognise this question as a control account. There was little recognition of the relationship between the revenue figure calculated in (a) and the need to use it in this question. A large number calculated a figure of \$1400 but were unaware of what it represented or what they were trying to calculate. The question asked for a calculation so credit was given for using figures in the correct way. In this situation where candidates are not confident they should be encouraged to prepare a 'T' account which may prompt realising the entries needed and hence the figure required.
- (e) This question was also poorly answered as it seemed that many candidates did not understand the question. A large number believed they had calculated trade receivables despite having been given those figures. Very few candidates attempted to describe matching concept.
- (f) This question was generally well answered. A small number offered discount received.
- (g) This question was generally well answered.

Question 5

- (a) This was probably the question that candidates were strongest with many achieving full or near full marks. The most common mistake was entering the gross profit and general reserve as a debit. Most candidates did realise that retained earnings was the balancing figure.
- (b) For the most part this question was also well answered. Marks were lost due to omissions of some of the expenses (particularly distribution costs) or the inclusion of the dividend.
- (c) A number of candidates were clearly well prepared in Statements of changes in Equity with many gaining full marks using their own figure of retained profit from (a). Marks were lost mainly due to poor narratives and the omission of dividends. Weaker candidates, having calculated a debit balance for retained earnings, did not carry this through as a debit to the statement. There were also marks lost due to not cross checking the statement numerically.
- (d) The majority of candidates knew the formula for ROCE but unfortunately only a small number were awarded full marks for this question principally due to the omission of debentures in the denominator. Other candidates did not use their profit figure from (b) but the retained earnings from (a). Some candidates did not calculate to two decimal places.
- (e) There were very good responses here with many able to give suitable suggestions for the low ROCE. There was some repetition over the two points as many did not comment on the numerator and denominator.
- (f) Following on from (e) there were very good suggestions for ways to increase ROCE. Some candidates did not achieve full marks for not commenting on both profit and capital employed. Weaker candidates suggested increasing profit without specifying how this could be done. A small number of candidates misinterpreted the question and suggested methods of improving cash flow.

Question 6

- (a) A large number of candidates acknowledged that this was subscriptions paid in advance or subscriptions prepaid. A small number were a bit too vague with just 'payments in advance' and others that it was an unpaid amount.
- (b) Candidates did not answer this part well. It appeared that some candidates did not absorb all the information given in the question in order to use it in this part. Candidates must be encouraged to re-read all the information given and to understand what is being asked. The common mistakes included reversing subscriptions in advance and in arrears and the stating cash/bank as \$6100 being the opening balance in the receipts and payments or as \$52905/\$52950 from the subscriptions account. Many candidates did, however recognise the shop inventory.
- (c) Many candidates were awarded full marks for this question. They were clearly confident in producing a trading account and in the allocation of the correct portion of rent to the shop to calculate a correct loss for the shop. A minority of candidates included other club expenses in the calculation.
- (d) Following on from (c) this question was answered very well by the majority of candidates. Many scored full or almost full marks. The most common omission in this question being the bad debts which required candidates to re-read all the information available to understand all the elements needed. The other common mistake was in the calculation of depreciation where candidates omitted the addition of new club equipment and calculated depreciation as \$2800.
- (e) Candidates appeared very confident with this question and were able to give two good reasons as to why the club continued to run the shop despite making a loss. Mostly they offered 'it was a not for profit organisation' and that they were 'serving members'. Some mentioned selling off the stock and others that they were hoping to make a profit in the future. Most candidates correctly transferred the shop's loss to the income and expenditure account.
- (f) This question was poorly addressed and it seemed as though candidates did not understand what was required and / or were confused between the shop's loss and the club's financial statements. Many did, however, appreciate that the shop's loss would decrease if it were not charged with rent but then seemed to think that this would reduce the club's surplus.

ACCOUNTING

Paper 0452/12
Paper 12

Key messages

A good grounding in the principles of double entry and the importance of narratives and dates in ledger accounts is essential. There are no 'goods' accounts which candidates frequently refer to rather than sales, purchases, sales returns and purchases returns.

Abbreviations should not be used particularly in financial statements such as the income statement.

It is expected that candidates will use International Accounting Terminology.

General comments

All the questions on the paper were compulsory and covered various topics on the syllabus.

Overall, the paper was well attempted by a number of candidates. There were some scripts where candidates had clearly been well prepared.

Comments on specific questions

Question 1

Generally **a, b, c, e, h, i, j** were well answered. **Parts d, f and g** warrant more detailed comments.

- (d) The question here asks for the accumulated depreciation at the end of the year. Many candidates correctly calculated this year's depreciation, \$1530, but then they missed adding it to the accumulated depreciation at the start of \$1800 to get the correct answer of \$3330 which was **B**.
- (f) Candidates often missed that this question is about the total equity and not just the retained earnings column. This meant that the transfer made to general reserve needed ignoring as it was simply moving from one part of the equity section to another so did not affect the total equity at the end of the year.
- (g) If club members have paid in advance this is a credit balance as essentially the club owes the members. The amount the members actually paid is the bank amount and not the income and expenditure account. Subscriptions in arrears indicate the balance b/d on the debit side which has actually increased during the year. Response **D** was correct as each member has a fee of \$100 and this should be shown in the income and expenditure account regardless of whether they owe it or have paid ahead.

Question 2

- (a) This should have been a simple process of allocating the four phrases into the appropriate places within the two sentences. Many candidates scored four marks and most candidates at least two marks. Candidates frequently matched the income statement with a particular date and the statement of financial position with a period of time.
- (b) This was generally well answered. Candidates just need reminding not to tick more than one box per item unless the question requires tick(s) as this then means no marks.
- (c) Not many candidates could apportion the \$6000 into expenses (\$1500) and prepaid expenses (\$4500). There were many combinations of the numbers given but very few fully correct answers.
- (d) This was generally well answered. The most common answers related to dividing tasks between different people or easier reference. A common misconception was that errors were reduced.
- (e) (i) Mainly answered well, though some candidates incorrectly gave revenue or expense related accounts. A common error was to name the sales and purchases accounts.
- (ii) This was answered well but errors included reference to depreciation accounts rather than provision for depreciation accounts, trade receivables and trade payables.
- (f) This was generally well answered but errors included, referring to ledgers, accounts or financial statements rather than the actual books of prime entry.
- (g) The correct answer was false since the definition refers to book-keeping rather than accounting.

Question 3

- (a) (i)(ii) Many candidates gained full marks. Some candidates referred to goods instead of sales or purchases and some reversed the entries.
- (b) This was generally well answered. However, credit note was sometimes stated rather than invoice. Invoice alone was accepted but purchases invoice was incorrect.
- (c) There were some very mixed responses here with common errors including complete reversal, references to discount received, use of cash rather than bank, reference to sales and incorrect amounts. Candidates needed to specify which type of discount was involved and not simply state discount.
- (d) A common error for **d(i)** was to state the cash book which showed that the candidates had misread the question and were answering about which book of prime entry would be used rather than the account. Many candidates provided the correct answer to **d(ii)**.
- (e) Many candidates achieved the full 2 marks here. There were some candidates who put the two documents the other way around so, debit note followed by credit note and others put credit note for both.
- (f) This question saw a big variation in answers with some achieving full marks and others none. Common errors included: omitting entries, reversal of entries, mixing up balances b/d with balances c/d, the presence of inappropriate entries such as bad debts or trade receivables in the provision for doubtful debts account, incorrect dates and repeating items on both sides of the account. Candidates struggled to calculate the new provision for doubtful debts and were then unsure where to place the amount with many putting it as the income statement amount instead of the closing balance. It is the change in provision which goes to the income statement with the new total moving onto the statement of financial position. Many candidates had little idea of how the accounts then related to the income statement at the end of the year.
- (g) There were mixed responses here with the vast majority of candidates being unable to adjust the trade receivables for the bad debt. Most did gain marks for using their own figure for provision for doubtful debts and subtracting it to give net trade receivables.

Question 4

- (a) This was answered reasonably well. Some candidates merely rearranged the sentence to say it was a statement by the bank, whilst others confused it with the bank reconciliation.
- (b) Most candidates gained the mark here but a common error seemed to be to choose items 2 and 3. Candidates should be encouraged to provide the number of the item in such a question as some tried to summarise the item and not always successfully.
- (c) This was a calculation, so no labels were needed but workings must be presented clearly for marks to be awarded. Many candidates did not know how to deal with the error from overstating the credit transfer by \$90 or subtracted the amount rather than adding it. A surprisingly many included entries which were for the bank reconciliation, the unrepresented cheque of \$400 and the outstanding lodgement of \$180 as they were already in the cash book so they were essentially including them twice. Some candidates did not start with the original cash book balance or treated it as a credit amount.
- (d) There was a wide variation in candidate responses and was a weak area for many candidates. They struggled to determine which items should be included, then, whether to add or deduct the item from the starting balance. Common errors included: inadequate description of balances, not including the total from **4(c)** several started with the original cash book balance of \$2890, including the dishonoured cheque and bank charges and incorrect layout with some attempting to use a ledger account.
- (e) Most candidates gained one mark for stating current assets, but often lost the other mark because the amount was incorrect. Many assumed that the statement of financial position shows the bank statement total instead of the updated cash book total which was the answer from **4(c)**.
- (f) This was generally well answered and the most common answer concerned insufficient funds in the account concerned. Candidates need to be aware that cheques can still be accepted if the account has an overdrawn amount as long as this has been authorised by the bank.
- (g) Mainly correct responses here and just a minority thought a suspense account or journal was the answer.

Question 5

- (a) Some candidates misread the question and thought it was about disadvantages. Generally, it was well answered with the most common errors being sharing profit and having limited liability.
- (b) (i) A lot of candidates found this challenging and either over complicated their answer or were vague with their answers. There was some confusion between the function of the capital account and that of the current account.
- (b) (ii) This was not answered well with candidates either mixing up the partners or making reference to the amount of capital invested which is not part of the current account. Some candidates discussed positive and negative balances which was insufficient.
- (c) The majority of candidates gained some marks in this question and used an appropriate layout. The main errors involved: starting with the wrong profit figure, lack of names for appropriation items, adding the interest on capital and or adding the salary, inclusion of wrong items such as capital and drawings accounts and finally not then calculating the profit share.

- (d) Where candidates had performed well in **Part (c)** they tended to in **Part (d)** as well. Many candidates forgot to include the opening balances, or got an item on the wrong side. Most used their own profit or loss figures from **Part (c)**.
- (e) Many candidates found this question challenging. A large number of candidates incorrectly either wrote understated or had incorrect figures. Some attempted to calculate cumulative figures which were not awarded.
- (f) Reasonable answers overall but some explanations were too vague. Many candidates simply stated assets rather than current assets and were not awarded marks.
- (g) This proved more difficult than (f) and candidates were not sure which items were being matched. They are more used to matching expense items to income so were unsure of the treatment of inventory.

Question 6

- (a) This was well answered and the only common error was to sometimes identify the repair of delivery vehicles as an administrative expense.
- (b) (i) This question broke down the traditional manufacturing account into sections and overall candidates responded very well to the layout. They did not need to label their calculations but some often did which seemed to help them follow the process..
- (b) (ii) A common error here was to assume prime cost was \$82000 which was just the direct labour.
- (b) (iii) This was answered well by well prepared candidates. Common errors were to miss out depreciation and deducting the indirect costs instead of adding.
- (c) The majority of candidates were familiar with the layout required. Candidates who found **Part (b)** challenging seemed not to include cost of production in this part. They did not seem to see the link between the calculation and its position in the income statement. Other errors included: incorrect treatment of inventory, no label for gross profit, and including distribution costs in the calculation of gross profit. It was an accessible question as no other adjustments were needed.
- (d) This was well answered with most candidates identifying the reason as cheaper than manufacturing themselves or in order to meet excessive demand.
- (e) There were a notable number of no responses for this question which could be due to time as it is the last question or because the candidates struggled with a slightly different type of question. There were some full marks but common errors included incorrect calculation of amounts, for example the change in raw materials or listing savings as costs and vice versa. Sometimes it was unclear whether an item was being added or subtracted as sometimes brackets appeared in both sections. The answer being a positive or negative was sufficient to indicate an increase or decrease as it was very rare that candidates indicated this by deleting either the increase or decrease in the label.

ACCOUNTING

Paper 0452/13
Paper 13

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ACCOUNTING

Paper 0452/21
Paper 21

Key messages

All the questions on this structured paper were compulsory. The paper covered a wide range of syllabus topics.

Candidates are reminded of the importance of reading through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. For example, to earn full marks candidates were expected to follow an instruction to calculate the current ratio correct to two decimal places.

Credit cannot be given to a factually correct statement which is not the answer to the question being asked. For example, stating the formula for the trade receivables collection period is not an acceptable answer to a question asking for reasons for the change in the trade receivables collection period.

Candidates are advised to provide supporting calculations where appropriate. This ensures that at least some credit may be earned even though the final answer may be incorrect.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary to cross out all or part of the answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note "Please refer to page ..." or "Continued on page ..." would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as "GP" "C of P" in financial statements and "bbd" for balance brought down in ledger accounts.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of "old" terminology such as "stock" and "net profit" etc.

General comments

Candidates are expected to present accounting statements in the correct format and use appropriate descriptions in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

It is important that candidates have a thorough knowledge of double entry book-keeping and can apply this knowledge to the various scenarios on the question paper. In addition to the actual entries in the account, attention must be paid to the words entered in the details column and to the dates.

Attention must be paid to handwriting to ensure that the words and figures are legible. There were a large number of scripts which were extremely difficult to read.

Comments on specific questions

Question 1

- (a) Candidates were required to explain why the balance on a bank statement was on the opposite side to that shown in a cash book. The best responses explained that these are prepared from different viewpoints. The bank statement is a copy of the account of the trader in the books of the bank and the cash book is prepared from the viewpoint of the trader.
- (b) Using information provided candidates were required to complete the cash book of a trader. A number of candidates used incorrect narratives such as “Furniture” instead of “Furniture Store”, and “Existing office equipment” instead of “repairs to office equipment”. The wording in the details column should be the name of the account in which the double entry will be made.

A common error was omitting to update the cash book with the items appearing on the bank statement. Where these were included they were often dated 21 March rather than 31 March.

Most candidates balanced the cash book but many did not include the pre-printed opening balances in their calculations.

- (c) A bank reconciliation statement was required. A number of candidates incorrectly used \$2750 (the opening balance) for either the cash book balance or the bank statement balance. A common error was to include the extraneous items of bank charges, payment by direct debit and amount received by credit transfer. Some candidates used incorrect descriptions of the items.
- (d) (i) Generally candidates found it difficult to explain why historical cost should be considered when comparing financial statements. Many did not recognise that all transactions are recorded at cost and because of this it is difficult to compare transactions taking place at different times.
- (ii) Many candidates were able to provide examples of non-financial aspects but were not able to explain why such items were not recorded in the accounting records and how they may affect the business.

Question 2

- (a) The source document for goods sold on credit and the return of goods had to be named. Despite the question clearly asking for the names of documents a number of answers related to books of prime entry and ledger accounts. Many candidates corrected referred to a sales invoice (or an invoice issued) and a credit note.
- (b) Two books of prime entry had to be named. Once again some candidates gave completely incorrect responses such as the name of a ledger account, the names of ledgers, or just “general” or “nominal”. Other candidates correctly named the cash book and the journal.
- (c) Using information provided the ledger account of a credit customer had to be prepared. This was often well-attempted with many candidates making only one error and writing “dishonoured cheque” instead of “bank”. Some candidates incorrectly included trade discount and others referred to purchases and purchases returns or reversed the account.
- (d) Most candidates were able to suggest ways in which bad debts may be reduced. A few answers were too imprecise such as “offer discount” (instead of referring specifically to cash discount) and “set credit limit” (instead of referring to setting a credit limit for each customer).
- (e) Candidates were required to name the accounts to be debited and credited to correct three errors. Many candidates were able to earn good marks. A number of candidates did not appreciate that to correct an error when discount received has been debited in the discount allowed account it is necessary to credit both discount accounts and make a corresponding debit in the suspense account.
- (f) Three accounting objectives had to be listed. There were many wholly correct responses but a number of candidates appear to have misunderstood the question and listed three accounting principles.

Question 3

- (a) Most candidates were able to provide a well- presented appropriation account, with the items being correctly treated. The calculation of the interest on capital for Rafah and the salary for Meena caused a few problems. A few candidates included extraneous items such as capital and drawings.
- (b) Most candidates correctly used their figures from Part (a) and prepared the current account of one of the partners. A few incorrectly included the partner's capital and some showed the loss as a minus figure on the credit side. A number of candidates did not include the pre-printed opening balance when balancing the account.
- (c) Most candidates understood that in calculating the quick ratio inventory is excluded, but many candidates did not extend the answer to an explanation of what this ratio actually shows.
- (d) Two reasons for the change in the current ratio were required. Many earned a mark for identifying the fact that there was an increase in either the trade payables or the bank overdraft. A common incorrect answer was that current assets had decreased. This was not the case as the change in the quick ratio indicated an increase in inventory.
- (e) Candidates found this question challenging and there were very few wholly correct responses. Some candidates managed to make a correct adjustment to either the numerator or the denominator of the formula but very rarely amended both figures correctly. When a cheque is received from a credit customer the trade receivables will decrease and the bank overdraft will also decrease by the same amount. The calculation should have been shown as
- $$(19\,400 + 15\,100) : (17\,450 + 2\,300) = 1.75 : 1$$
- (f) Candidates were required to suggest two problems the partners could encounter if the working capital was inadequate. Most candidates managed to earn at least one of the available marks.
- (g) Two ways of increasing the working capital were required. A significant number of candidates incorrectly suggested reducing the trade payables or bank overdraft, increasing sales or buying cheaper goods.

Question 4

- (a) Many candidates attempted to state how prime cost is calculated but often omitted one of the three elements. It was rare to find an answer which also included the key factor that these direct costs are traceable to a unit of production.
- (b) (i) An explanation of the term factory overheads was required. A number of candidates managed to explain that these are the factory expenses but only a small minority explained that these cannot be traced to the product being manufactured.
- (ii) A wide range of examples of factory overheads was provided, but the examples were often far too vague and were not limited to the factory. Common incorrect responses included wages, factory wages and depreciation. Candidates should have been specific and suggested items like salary of factory supervisor, factory rent, depreciation of factory machinery, and so on.
- (c) (i) Most candidates were able to state the meaning of the term work in progress and correctly stated that the closing work in progress was greater than the opening work in progress in the example provided.
- (d) The income statement of a manufacturing business had to be prepared. Some candidates earned full marks. Common errors included omitting cost of production, omitting purchases of finished goods, incorrect treatment of goods taken for personal use, incorrect figures for loan interest and depreciation, and extraneous items such as accumulated depreciation.
- (e) Candidates were required to explain, with an example, how the actuals (matching) principle was applied in the preparation of the income statement. There was a wide range of responses. Candidates should have explained that the expenses for the year are matched against the revenue of the same period. Examples could have included the adjustment on the commission for the

amount not yet received, accrued loan interest being included in the expenses and depreciation for the year being included in the expenses.

- (f) (i) Most candidates correctly stated that if the selling price was increased the gross profit would increase. Some did go on to mention that sales may actually reduce but did not consider the effect of this on the gross profit.
- (ii) Many candidates incorrectly stated that a reduction of factory wages would not affect the gross profit. Some did go on to mention the possibility of a discontented workforce but did not consider the effect of this on the gross profit.
- (g) The majority of candidates were able to suggest two ways in which the profit for the year could be increased.

Question 5

- (a) Many candidates were able to prepare the account of motor vehicles. Some incorrectly described the purchases of vehicles as “purchases” or put “bank” instead of the name of the supplier for the second vehicle purchased.

The preparation of a provision for depreciation of vehicles account proved challenging for many candidates, although the well-prepared candidates were able to earn good marks. Common errors included incorrect details such as “depreciation” or “Vehicle A” etc. The depreciation for the year is transferred to the income statement so that is what should appear in the details column. Showing the annual depreciation for each vehicle separately would have ensured that some of the marks could be awarded even where the total depreciation for the year was incorrect. Inevitably the less-able candidates incorrectly included depreciation in the asset account and the cost of vehicles in the provision for depreciation account.

- (b) Journal entries had to be prepared to record the disposal of a vehicle. Some candidates used incorrect account names such as “depreciation” for “provision for depreciation” and “vehicle C” for “delivery vehicles”. The more able candidates extended the answer to provide entries for the profit on disposal.
- (c) Two reasons for the change in the trade receivables collection period were required. Many candidates incorrectly discussed the effects of the change rather than the reasons. The better candidates correctly suggested the avoidance of interest charges on overdue accounts and the advantage of cash discount for early payment.
- (d) Two effects of the change in the trade payables payment period were required. Again, some candidates did not appear to understand what was required. Some candidates correctly suggested that cash discount would be earned or interest charges on overdue accounts would be avoided. Other candidates also correctly mentioned the improved relationship with suppliers.
- (e) Candidates were required to suggest two ways in which the trader may be affected by a reduction in the credit period allowed by suppliers. Many candidates struggled to provide suitable responses. Answers should have concentrated on the impact on the trader’s liquidity in the event of the credit period being reduced.

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded credit.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some credit may be earned even though the final answer may be incorrect.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note "Please refer to Page..." or "Continued on page..." would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as "bbd" for "balance brought down" in ledger accounts or "TR" for "Trade Receivables" and "PDD" for "Provision for Doubtful debts" in financial statements.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of old terminology such as "stock" and "net profit" etc.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all questions and were familiar with the correct format of financial statements.

It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day to day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the numbers in the account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Section A

Question 1

- (a) Using information provided, candidates were asked to enter the transactions in the ledger accounts provided. They were also told that it was not necessary to balance or total any of the account

This question revealed some weaknesses in candidates' knowledge of this double entry.

Many candidates used incorrect wording in the details column particularly in the purchases, purchases returns and discount received accounts. The correct descriptor is 'Total for month' and not the name of the creditor. Many candidates who correctly dealt with the purchases and purchase returns did not recognise that the total from the discount received column in the cashbook should be treated in the same way.

Common errors were:

- Entering the gross purchases figure in the purchases ledger accounts rather than the net amount after the deduction of trade discount
- Including the trade discount allowed in the purchases, purchase returns and personal accounts in the purchases ledger
- Reversing the entries in the personal accounts of Lincy and Gail or using an incorrect description such as 'sales' and 'sales returns'
- Omitting the date or year

- (b)** Candidates were provided with current ratio figures for two years and asked to provide two reasons for the change. Many candidates suggested that the change was due to an increase in current liabilities and a decrease in current assets. This was not regarded as sufficient. Candidates should have made reference to specific current liabilities that could have increased or current assets that could have decreased.

Some candidates suggested that trade receivables decreased even though the question stated that all sales were made for cash. This underlines the importance of reading the question carefully.

- (c)** The question required candidates to suggest two problems that the trader may experience because her working capital was inadequate.

Most gained good marks in this section. However, some candidates did not specify current/immediate assets and current/immediate liabilities.

- (d)** Candidates were required to state whether four courses of action would result in an increase, decrease or have no effect on working capital. Most candidates were able to correctly identify how 'selling goods on credit' and 'obtaining a higher rate of cash discount' would impact on working capital. However, very few were able to correctly identify the impact on working capital of 'taking out a short term bank loan' or 'repaying a long term bank loan'.

- (e)** In this question, candidates were asked to state why a trader's current assets would increase if office equipment were purchased. Many candidates did not appear to appreciate that the business traded in office equipment and, as such, purchasing office equipment would increase the inventory. Most candidates incorrectly explained that they have bought the equipment on credit and have therefore not yet paid for it, so the cash (current assets) had not decreased.

This question provided good differentiation, as the better-prepared students were able to correctly identify the reason for the change

- (f)** Many candidates stated the formula for the return on capital employed before correctly answering the question.

This section was generally well answered with most candidates understanding that the return on capital employed was lower because profit had decreased.

Some candidates then proceeded to provide reasons why the profit had decreased instead of stating the other reason for the decrease in the return on capital employed which is the fact that the capital employed increased.

Common incorrect answers tended to focus on 'less sales' or 'higher expenses'.

Question 2

- (a) Candidates were asked to name the book of prime entry that the trader would use to obtain four pieces of information when preparing his sales ledger control account.

Many candidates were unable to correctly name the books of prime entry. Common errors included:

- Not being able to identify the journal as the book of prime entry from which the contra entry would be obtained
- Not being able to correctly name the book of prime entry that a contra entry would be shown in.
- Stating sales/purchase returns journal for the book of prime entry for 'returns' even though the question clearly referred to the sales ledger control account.
- Providing two answers for one element, in the hope that the examiner will choose the correct answer.

- (b) Many candidates found it difficult to state the meaning of a contra entry in connection with control accounts and to provide a reason for making such an entry.

Some candidates confused the meaning with the reason and vice versa resulting in valuable marks being lost.

A significant number of candidates described the contra entries made in a cashbook even though the question specifically referred to contra entries in connection with control accounts.

- (c) Candidates were asked to select the relevant figures from those provided and prepare the sales ledger control account. Most candidates gained reasonable marks.

Common mistakes included:

- Using incorrect narratives such as "dishonoured cheque" instead of "Bank"
- Extraneous entries such as discount received, purchase returns and payments to credit suppliers included in the sales ledger control account.
- Deducting the dishonoured cheque amount from the amount received from the credit customers.
- Showing the contra entry of \$182 on both sides of the account.
- Showing the closing balances brought down but not including the carried down figures – either in the totals of the account or omitting them altogether.
- Not bringing down the balances.

- (d) Most candidates made a reasonable attempt at this question. However, candidates should ensure their answers include enough detail. When asked for a reason why the sales ledger control account had a credit balance, it is not sufficient to write that the customer returned goods. The candidate needs to make it clear that the returns were after the balance was paid.

- (e) The majority of candidates were able to correctly state and provide a reason why the trader would be satisfied with the change in collection period for trade receivables. Most candidates scored full marks.

- (f) Many candidates did not appreciate that this question related to Waheed's suppliers rather than Waheed himself and as such many described an advantage to Waheed.

It is important to provide a precise answer. A statement that suppliers would not need to provide Waheed with 'discount' was not adequate. The answer should have referred specifically to 'cash discount'.

- (g) This was generally well answered with most candidates appreciating that it was a disadvantage to Waheed's suppliers because he was paying later.

- (h) The question asked candidates to comment on how the trader's liquidity would be affected by a collection period of 29 days and a payment period of 46 days.

Many candidates repeated their answers to **2(f)** and **2(g)**.

Of those candidates who answered the question correctly, most could only state that the liquidity of the business would improve and were not able to expand their answer.

Question 3

- (a) Most candidates made a reasonable attempt at completing the receipts and payments account but many did not appear to appreciate that there were expected to be receipts from café sales.

The same errors appeared in many papers:

- Including the bank overdraft at start and end of the year without realising that the balance at the start of the year had already been given in the question and the balance at the end of the year was their closing balance.
- Only including the subscription received relating to the current financial year.
- Incorrect narratives such as 'purchases' instead of 'equipment'.
- Loan and Interest amounts entered as a single figure rather than separately.
- Including extraneous items in their account such as 'café inventory' and 'amounts owing to café suppliers'.
- Entering the loss on disposal rather than the receipt from the sale of the equipment.
- Either not including the opening balance when calculating the total of the credit side of the account or the closing balance on the debit side when calculating the sales figure.
- Balancing the account without including an entry for café sales

- (b) Candidates were required to prepare an income statement for the Club's café.

The weaker candidates did not gain marks because they were only able to enter the amounts for the opening and closing inventory and café wages because they had not been able to calculate the sales figure in **Part (a)**.

Some candidates incorrectly included subscriptions in their sales figure. Many candidates did not appreciate that the payments made to café suppliers, adjusted for amounts owing, represented the purchases figure. Some incorrectly included the purchase of new sports equipment figure of \$4000.

Other candidates included extraneous items in the income statement such as 'rates' and 'general expenses'.

The 'profit for the year' was often not correctly identified. Some candidate did not label the figure and others used incorrect terminology such as 'surplus' or 'deficit'.

- (c) The question asked candidates to state the amount of subscriptions that would appear in the income and expenditure account. And provide a reason for their answer. Some candidates found this element difficult and many only included subscriptions received for the current financial year. Others incorrectly added and subtracted the prepaid subscription and the subscription in arrears. Those candidates correctly calculated the correct amount of subscriptions went on to correctly provide a reason.

- (d) Some candidates did not recognise that they needed to identify items included in their receipts and payments account that would **not** appear in an income and expenditure account.

Generally, this question was well tackled. However, candidates did not gain marks either because their answer was not specific, for example putting 'café suppliers' rather than 'payment to café suppliers' or because they listed items, which did not appear in a receipts and payments account such as the café inventory.

Question 4

- (a) Most candidates were able to correctly calculate the capital as at 1 February 2016. However, some candidates did not include the loan (\$15 000) in their calculations.

Other candidates added the assets and liabilities together instead of subtracting them.

- (b) Most candidates made a good attempt at completing the non-current assets section of the statement of affairs. Common errors included:

- Including only the book value of the non-current assets without showing the cost and the accumulated depreciation
- Omitting the column headings for cost, accumulated depreciation and book value for the non-current assets
- Unable to calculate the cost price of the inventory when provided with the selling price. They either left the inventory at its selling price of \$12 900 or incorrectly calculated the cost price as being \$10 320
- Including the trade receivables at their gross figure without netting off the bad debts
- Either not showing the provision for doubtful debts, labelling it incorrectly or not showing the net figure after deducting it from their trade receivables
- Including the long-term loan amongst the non-current liabilities
- Including the bad debts and provision for doubtful debts as minus figures in the non-current liabilities
- Omitting a Capital section or not appreciating that the capital section should balance with the net assets.

- (c) Candidates were asked to prepare a capital account showing the profit or loss for the year.

Weaker candidates did not realise that the opening and closing balances for their capital account had previously been calculated in **Sections (a) and (b)** of this question. Other common errors included:

- Reversing the entries for 'drawings' and 'motor vehicle'.
- Omitting the entry for Motor Vehicle or using an incorrect narrative such as 'additional capital'
- Including extraneous items such as the repayment of the long-term loan.
- Incorrectly labelling the balancing figure if it was on the debit side as 'profit'

- (d) Many candidates made basic statements on two factors that should be considered when comparing the business results but did not develop those statements. It is recommended that candidates read questions carefully to ensure that their answers comply with the requirements of the question. By not explaining the factors candidates were unable to gain full marks.

Some candidates named four factors instead of explaining two factors. Only the first two statements were considered the additional answers were ignored.

Question 5

- (a) Most candidates correctly identified the accounting principle applied of 'Duality'

- (b) Two reasons were required as to why the wholesaler found it necessary to open a suspense account. Some candidates just wrote 'to make it balance' without stating that they were referring to a trial balance.

A common incorrect response was 'to correct/find/locate errors'.

- (c) Candidates struggled with the preparation of the suspense account. This question definitely acted as a good discriminator. Weaker candidates made entries for the same amount on both sides of the account. The stronger candidates achieved good marks but some lost the balancing mark because they included extraneous items in their account, namely the overcast sales invoice, the repairs to office equipment and the reversed entries for the cheque paid to A K Suppliers.

- (d) This question was answered well with most candidates correctly stating that all errors had not been discovered and providing an adequate reason.
- (e) Candidates were asked to complete a table showing the effect of each of the errors on profit for the year, non-current assets, current assets and current liabilities. The first error had been completed as an example to provide students with guidance on how to complete the table.

Generally candidates did not perform well in this question. Candidates found it easier to correctly identify the effect of the errors on the profit for the year than on current assets and current liabilities.

Few candidates recognised that the correction of error 5 resulted in the current assets and current liabilities being overstated by twice the original amount.

ACCOUNTING

Paper 0452/23
Paper 23

Key messages

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Candidates are expected to be familiar with International Accounting Terminology and avoid the use of old terminology such as "stock" and "net profit" etc.

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It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day to day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the numbers in the account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Section A

Question 1

- (a) Using information provided, candidates were asked to enter the transactions in the ledger accounts provided. They were also told that it was not necessary to balance or total any of the account

This question revealed some weaknesses in candidates' knowledge of this double entry.

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Common errors were:

- Entering the gross purchases figure in the purchases ledger accounts rather than the net amount after the deduction of trade discount
- Including the trade discount allowed in the purchases, purchase returns and personal accounts in the purchases ledger
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- (b)** Candidates were provided with current ratio figures for two years and asked to provide two reasons for the change. Many candidates suggested that the change was due to an increase in current liabilities and a decrease in current assets. This was not regarded as sufficient. Candidates should have made reference to specific current liabilities that could have increased or current assets that could have decreased.

Some candidates suggested that trade receivables decreased even though the question stated that all sales were made for cash. This underlines the importance of reading the question carefully.

- (c)** The question required candidates to suggest two problems that the trader may experience because her working capital was inadequate.

Most gained good marks in this section. However, some candidates did not specify current/immediate assets and current/immediate liabilities.

- (d)** Candidates were required to state whether four courses of action would result in an increase, decrease or have no effect on working capital. Most candidates were able to correctly identify how 'selling goods on credit' and 'obtaining a higher rate of cash discount' would impact on working capital. However, very few were able to correctly identify the impact on working capital of 'taking out a short term bank loan' or 'repaying a long term bank loan'.

- (e)** In this question, candidates were asked to state why a trader's current assets would increase if office equipment were purchased. Many candidates did not appear to appreciate that the business traded in office equipment and, as such, purchasing office equipment would increase the inventory. Most candidates incorrectly explained that they have bought the equipment on credit and have therefore not yet paid for it, so the cash (current assets) had not decreased.

This question provided good differentiation, as the better-prepared students were able to correctly identify the reason for the change

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This section was generally well answered with most candidates understanding that the return on capital employed was lower because profit had decreased.

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Common incorrect answers tended to focus on 'less sales' or 'higher expenses'.

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- Providing two answers for one element, in the hope that the examiner will choose the correct answer.

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- Extraneous entries such as discount received, purchase returns and payments to credit suppliers included in the sales ledger control account.
- Deducting the dishonoured cheque amount from the amount received from the credit customers.
- Showing the contra entry of \$182 on both sides of the account.
- Showing the closing balances brought down but not including the carried down figures – either in the totals of the account or omitting them altogether.
- Not bringing down the balances.

- (d) Most candidates made a reasonable attempt at this question. However, candidates should ensure their answers include enough detail. When asked for a reason why the sales ledger control account had a credit balance, it is not sufficient to write that the customer returned goods. The candidate needs to make it clear that the returns were after the balance was paid.

- (e) The majority of candidates were able to correctly state and provide a reason why the trader would be satisfied with the change in collection period for trade receivables. Most candidates scored full marks.

- (f) Many candidates did not appreciate that this question related to Waheed's suppliers rather than Waheed himself and as such many described an advantage to Waheed.

It is important to provide a precise answer. A statement that suppliers would not need to provide Waheed with 'discount' was not adequate. The answer should have referred specifically to 'cash discount'.

- (g) This was generally well answered with most candidates appreciating that it was a disadvantage to Waheed's suppliers because he was paying later.

- (h) The question asked candidates to comment on how the trader's liquidity would be affected by a collection period of 29 days and a payment period of 46 days.

Many candidates repeated their answers to **2(f)** and **2(g)**.

Of those candidates who answered the question correctly, most could only state that the liquidity of the business would improve and were not able to expand their answer.

Question 3

- (a) Most candidates made a reasonable attempt at completing the receipts and payments account but many did not appear to appreciate that there were expected to for receipts from café sales.

The same errors appeared in many papers:

- Including the bank overdraft at start and end of the year without realising that the balance at the start of the year had already been given in the question and the balance at the end of the year was their closing balance.
- Only including the subscription received relating to the current financial year.
- Incorrect narratives such as 'purchases' instead of 'equipment'.
- Loan and Interest amounts entered as a single figure rather than separately.
- Including extraneous items in their account such as 'café inventory' and 'amounts owing to café suppliers'.
- Entering the loss on disposal rather than the receipt from the sale of the equipment.
- Either not including the opening balance when calculating the total of the credit side of the account or the closing balance on the debit side when calculating the sales figure.
- Balancing the account without including an entry for cafe sales

- (b) Candidates were required to prepare an income statement for the Club's cafe.

The weaker candidates did not gain marks because they were only able to enter the amounts for the opening and closing inventory and café wages because they had not been able to calculate the sales figure in **Part (a)**.

Some candidates incorrectly included subscriptions in their sales figure. Many candidates did not appreciate that the payments made to café suppliers, adjusted for amounts owing, represented the purchases figure. Some incorrectly included the purchase of new sports equipment figure of \$4000.

Other candidates included extraneous items in the income statement such as 'rates' and 'general expenses'.

The 'profit for the year' was often not correctly identified. Some candidate did not label the figure and others used incorrect terminology such as 'surplus' or 'deficit'.

- (c) The question asked candidates to state the amount of subscriptions that would appear in the income and expenditure account. And provide a reason for their answer. Some candidates found this element difficult and many only included subscriptions received for the current financial year. Others incorrectly added and subtracted the prepaid subscription and the subscription in arrears. Those candidates correctly calculated the correct amount of subscriptions went on to correctly provide a reason.

- (d) Some candidates did not recognise that they needed to identify items included in their receipts and payments account that would **not** appear in an income and expenditure account.

Generally, this question was well tackled. However, candidates did not gain marks either because their answer was not specific, for example putting 'café suppliers' rather than 'payment to café suppliers' or because they listed items, which did not appear in a receipts and payments account such as the café inventory.

Question 4

- (a) Most candidates were able to correctly calculate the capital as at 1 February 2016. However, some candidates did not include the loan (\$15 000) in their calculations.

Other candidates added the assets and liabilities together instead of subtracting them.

- (b) Most candidates made a good attempt at completing the non-current assets section of the statement of affairs. Common errors included:

- Including only the book value of the non-current assets without showing the cost and the accumulated depreciation
- Omitting the column headings for cost, accumulated depreciation and book value for the non-current assets
- Unable to calculate the cost price of the inventory when provided with the selling price. They either left the inventory at its selling price of \$12 900 or incorrectly calculated the cost price as being \$10 320
- Including the trade receivables at their gross figure without netting off the bad debts
- Either not showing the provision for doubtful debts, labelling it incorrectly or not showing the net figure after deducting it from their trade receivables
- Including the long-term loan amongst the non-current liabilities
- Including the bad debts and provision for doubtful debts as minus figures in the non-current liabilities
- Omitting a Capital section or not appreciating that the capital section should balance with the net assets.

- (c) Candidates were asked to prepare a capital account showing the profit or loss for the year.

Weaker candidates did not realise that the opening and closing balances for their capital account had previously been calculated in **Sections (a) and (b)** of this question. Other common errors included:

- Reversing the entries for 'drawings' and 'motor vehicle'.
- Omitting the entry for Motor Vehicle or using an incorrect narrative such as 'additional capital'
- Including extraneous items such as the repayment of the long-term loan.
- Incorrectly labelling the balancing figure if it was on the debit side as 'profit'

- (d) Many candidates made basic statements on two factors that should be considered when comparing the business results but did not develop those statements. It is recommended that candidates read questions carefully to ensure that their answers comply with the requirements of the question. By not explaining the factors candidates were unable to gain full marks.

Some candidates named four factors instead of explaining two factors. Only the first two statements were considered the additional answers were ignored.

Question 5

- (a) Most candidates correctly identified the accounting principle applied of 'Duality'

- (b) Two reasons were required as to why the wholesaler found it necessary to open a suspense account. Some candidates just wrote 'to make it balance' without stating that they were referring to a trial balance.

A common incorrect response was 'to correct/find/locate errors'.

- (c) Candidates struggled with the preparation of the suspense account. This question definitely acted as a good discriminator. Weaker candidates made entries for the same amount on both sides of the account. The stronger candidates achieved good marks but some lost the balancing mark because they included extraneous items in their account, namely the overcast sales invoice, the repairs to office equipment and the reversed entries for the cheque paid to A K Suppliers.

- (d) This question was answered well with most candidates correctly stating that all errors had not been discovered and providing an adequate reason.
- (e) Candidates were asked to complete a table showing the effect of each of the errors on profit for the year, non-current assets, current assets and current liabilities. The first error had been completed as an example to provide students with guidance on how to complete the table.

Generally candidates did not perform well in this question. Candidates found it easier to correctly identify the effect of the errors on the profit for the year than on current assets and current liabilities.

Few candidates recognised that the correction of error 5 resulted in the current assets and current liabilities being overstated by twice the original amount.