

# CONTENTS

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FOREWORD .....	1
PRINCIPLES OF ACCOUNTS.....	2
GCE Ordinary Level .....	2
Paper 7110/01 Multiple Choice .....	2
Paper 7110/02 Paper 2 .....	3

## FOREWORD

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

# PRINCIPLES OF ACCOUNTS

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## GCE Ordinary Level

<b>Paper 7110/01</b> <b>Multiple Choice</b>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>C</b>	21	<b>C</b>
2	<b>B</b>	22	<b>B</b>
3	<b>A</b>	23	<b>A</b>
4	<b>C</b>	24	<b>D</b>
5	<b>C</b>	25	<b>B</b>
6	<b>C</b>	26	<b>D</b>
7	<b>C</b>	27	<b>B</b>
8	<b>B</b>	28	<b>A</b>
9	<b>B</b>	29	<b>A</b>
10	<b>D</b>	30	<b>B</b>
11	<b>B</b>	31	<b>A</b>
12	<b>C</b>	32	<b>A</b>
13	<b>A</b>	33	<b>A</b>
14	<b>B</b>	34	<b>B</b>
15	<b>D</b>	35	<b>D</b>
16	<b>A</b>	36	<b>A</b>
17	<b>B</b>	37	<b>A</b>
18	<b>D</b>	38	<b>C</b>
19	<b>A</b>	39	<b>A</b>
20	<b>B</b>	40	<b>B</b>

### General comments

17,147 candidates took this Paper and the mean mark was 17.3 out of an available 40.

All items were within the scope of the syllabus. Those syllabus areas which showed particular weaknesses on the part of the candidates are identified below.

It is expected that each item will be answered correctly by between 25% and 80% of the candidates. The number of items falling outside this parameter and the possible reasons are taken into account when setting the grade thresholds. **Items 9, 17, 19, 20, 27, 28, 33 and 36** fell below the lower boundary and none were too easy.

### **Comments on specific questions**

#### **Item 9**

Many did not understand the different treatment given to trade discount and discount received for prompt payment.

#### **Item 17**

This item required recognition of the financial year and the fact that it differed from the nine-month period for the rent receivable. A significant number of candidates worked on a cash received basis.

#### **Item 18 and Item 19**

There was a poor response due to inability to deal with the use of a suspense account. This view was reinforced by an almost similar poor response to **Item 18** which was also suspense account based.

#### **Item 20**

Control account entries for contra items did not appear to be fully understood.

#### **Item 27**

This item and **Item 17** have somewhat common features in the treatment needed for accruals.

#### **Item 28**

There was widespread guessing over what constituted working capital and capital employed.

#### **Item 33**

The distinction between capital and revenue expenditure was not widely known.

#### **Item 36**

The responses to this item showed that the limited company section of the syllabus requires attention as all options gained significant support.

**Paper 7110/02**

**Paper 2**

### **General comments**

The conclusions to be drawn from this examination are that candidates are happiest when they have straightforward numerical questions to answer from a limited range of syllabus topics.

However, the syllabus does run from basic principles to advanced principles with skills such as knowledge with understanding, analysis and evaluation being tested, and it was in those latter areas that candidates lost the opportunity to gain additional marks.

### **Comments on specific questions**

#### **Question 1**

This journal question was intended to be an easy introduction to the Paper but still intended to be a test of understanding of the principles of ledger accounts. Most candidates performed well, although those in doubt tended to wrongly use 'suspense' or 'bank' as the contra accounts. The final item gave most difficulty where the entries should have been trading account debit and stock account credit.

## Question 2

- (a)(i) Good marks gave candidates a head start although marks were lost through reversing the percentages in the statements.
- (ii) This part required no specific answers, thus allowing the giving of credit for the relevance of the answers, e.g. increasing profit mark up, better terms from suppliers, investigating reasons for the increase in expenses, etc.
- (b)(i)(ii) These were concerned with aspects of the rate of stock turnover. There were few outstanding answers but most candidates did receive approximately half the available marks.

## Question 3

There were mixed responses with some very good answers and others where candidates were not too sure of what they were doing.

- (a) Answers were frequently given as individual balance sheets instead of the required capital accounts.
- (b) This part was sometimes spoilt by individual balance sheets for Hill and Dale and not the partnership balance sheet as required.
- (c) The Goodwill explanation was usually given as reputation, which was rewarded, but the better candidates went on to define it as the excess value of the business over the net value of the assets and liabilities.

## Question 4

This question called for the reconciliation of the total of the debtors with the balance of the sales ledger control account. Although everyone gained marks on this question, there was some confusion as to what went where. There were only four adjustments to the debtors schedule and, if done correctly, would have given a new total of \$19,540.

The remaining adjustments concerned the sales ledger control account and the new balance should, of course, have been the same figure of \$19,540.

Frequent mistakes were using the wrong opening balances and mixing the adjustments between the schedule and the control account.

## Question 5

This small question did not have any prescribed answers but was testing the ability of candidates to make some observations on a set of figures. It was hoped to find recognition of current assets in excess of current liabilities, a high level of creditors in relation to debtors, the cash and stock levels, etc. Although not well done, most answers gained some marks.

## Question 6

This final accounts question gave candidates the opportunity to gain a substantial number of marks. Nearly all candidates noted the statement that the figures related to the period after the preparation of a manufacturing account.

However, there were those who did not know what to include in opening and closing stock, both in the Trading Account and the current assets.

The drawings of \$600 caused difficulties, and the provision for depreciation often ended up in the Profit and Loss Account as well as the Balance Sheet. There was also doubt over the disposition of the bank charges.

The final outcome, though, was that everyone gained marks in this question, with a number being awarded full marks.