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FOREWORD

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

PRINCIPLES OF ACCOUNTS

GCE Ordinary Level

Paper 7110/01
Multiple Choice

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

General comments

Seventeen thousand, nine hundred and seventy four candidates took this paper, resulting in an overall mean mark of 20 out of 40.

The questions were presented in approximately the same order of topics as in the syllabus. This order corresponds in some degree with the levels of difficulty.

All questions were within the scope of the syllabus. There were no syllabus areas which showed general strengths or weaknesses except for those which are identified in the comments on particular questions.

Comments on specific questions

Question 1

There was confusion over the bank entries for payments to suppliers.

Questions 4, 13 and 14

There was difficulty in distinguishing between revenue and capital items.

Question 6

Candidates exhibited the customary problems in determining corrected bank balances.

Question 8

The use of the suspense account requires practice by the candidates.

Question 10

An understanding of ledger account entries was not always displayed.

Questions 15 and 16

The calculation and application of depreciation requires attention generally.

Questions 23 and 27

These questions proved very easy and resulted in high scores.

Questions 28 and 34

Answers were spread evenly over all the options, indicating widespread guessing.

Paper 7110/02
Paper 2

General comments

The paper proved to be accessible to the majority of candidates, however, as in previous years, the candidates from certain Centres focused on **Question 5**, but made only a minimal attempt at the other four questions; this lowered the overall mark. The need to cover the whole of the syllabus cannot be over emphasised.

Comments on specific questions

Question 1

(a) Candidates misunderstood the need to calculate the closing balance, i.e. 790, from the cash book given in the question and commenced their answer with the opening balance, i.e. $1450, prior to entering the updating figures. The reproduction of the cash book as given in the question prior to updating was also a common time wasting error. As in previous years many candidates failed to bring down the updated balance.

(b) Candidates lost marks due to a failure to present a correctly laid out reconciliation statement. The correct figure of $535, from **(a)**, was often given as a starting point but the attempts at the required adjustments evidenced a poor understanding of that which was required to calculate the statement balance of $555.

(c) The cash book as a prime entry record whilst being a part of double entry system via the cash account and bank account being maintained therein was not well recognised.

Question 2

(a) Generally this was well done but candidates did lose marks by not being specific with regard to the treatment of the items, i.e. **(ii)**, many indicated, "balance sheet" but failed to state a plus to fixed assets, which was required.

(b) Candidates copied the calculation of gross profit from the question but did not make an adjustment for the sale of fixed assets income. The point of the question, the treatment of a capital receipt, was therefore missed. A failure to include rent and rates or discount received also lost candidates marks.

Question 3

(a) Candidates failed to pinpoint the date at which this calculation was required, i.e. 01 August 2003. The balance of $490, clearly labelled 01 August 2003, was omitted by many candidates. Other errors included incorporation items from the receipts and payments account, e.g. rent $2900, and showing the depreciated value of fixtures and fittings, i.e. $2000 at 31 July 2004.

(b) This was well done, the majority of candidates were awarded full marks. A minority of candidates failed to include the stock figures.

(c) A failure to appreciate the correct treatment of the subscriptions in arrears or paid in advance was evident.

(d) Many answers were vague, merely repeating the words receipts and payments or income and expenditure without any explanations. A common confusion was to indicate that one or the other of the records related to a club or to a business. The point that both related to the club situation as indicated at the outset of the question was not recognised.

Question 4

(a) The ratios were well done overall. Some candidates failed to multiply by 100, e.g. 50% was shown as 0.5, thus marks were lost on the first three ratios. The stock turnover ratio was calculated as a percentage rather than a times factor. It was evident that these errors related to certain Centres, the topic had not been given sufficient emphasis.

(b) The majority of answers identified the correct direction of change. Only a minority of candidates identified a reason for the change.

(c) This section was poorly answered. Confusion between cash and profit was evident, many candidates assuming a loss not profit would arise as a problem. In terms of a solution many candidates simply stated, "reduce creditors" without indicating how this would be achieved. There was also confusion with regard to debtors and creditors, i.e. who owed the business and who the business owed.

Question 5

As indicated previously this question was overall very well done.

(a) Minor errors were; omission of the carriage on purchases in the trading account and its inclusion in the profit and loss. The incorrect inclusion of net book value in the profit and loss, not the depreciation charge. The incorrect treatment of accruals and prepayments.

(b) The provision for doubtful debts was not deducted from debtors. The accruals and prepayments were either omitted or incorrectly treated. The bank overdraft was indicated as a long-term liability.