

# PRINCIPLES OF ACCOUNTS

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

## General comments

There were 4544 candidates (compared to 4303 in June 2006). The mean mark was 26.7 (compared to 26.9 in June 2006). The standard deviation was 7.9 compared to 8.1 in June 2006).

Judged against accessibility of 25-80%, six items proved to be easier than anticipated and three items were slightly easier than anticipated. None of the items were regarded as too difficult.

All the items were within the scope of the syllabus.

## Comments on specific items

### **Item 2**

It was disappointing that 33% confused a debit note with a credit note. When goods are returned a debit note may be sent by the purchaser to the supplier requesting a reduction in the invoice.

**Item 7**

Only 46% correctly selected C. 36% selected option B. Cheques not yet presented for payment cannot possibly appear on a bank statement.

**Item 8**

The selection of the options suggests a substantial degree of guesswork. The benefit of correcting an error by means of a journal entry is that it provides a narrative giving an explanation of why the entry is being made.

**Item 10**

88% recognised that the balance on a personal account represented an amount owing. 30% failed to appreciate that the credit balance indicated that the trader, Smith, owed this to Brown.

**Item 12**

It was disappointing that 30% selected option B. This was an error of complete reversal – not a compensating error.

**Item 14**

59% selected the key, A. Selection of the other options suggest a degree of guesswork.

**Items 17 and 33**

These both concerned year-end adjustments for income and expenses. The key was selected by 51% in each case. Selection of the other options indicates a lack of understanding of how to make year-end adjustments.

**Item 23**

It was surprising to find that such a large number of candidates were unable to calculate the net profit/loss from the information provided. This should have been a relatively straightforward item.

**Item 26**

48% correctly selected the key, C. The number of candidates selecting options B and D indicate some uncertainty about the treatment of the selling costs relating to the damaged stock.

**Item 31**

The key was selected by 55%. Option B was selected by 39% who deducted the interest on drawings rather than adding it to the net profit.

**Item 34**

83% realised that the calculation of the net profit involved opening and closing capital, capital introduced and drawings. 22% selected option D where the capital introduced and drawings were incorrectly treated.

**Item 35**

There is obviously a substantial degree of doubt about the calculation of margin and mark-up. 41% correctly selected the key, D, but 38% selected option C (applying mark-up rather than margin).

**Items 36 and 37**

The key was selected by 67% and 56% respectively. The selection of the other options suggests some degree of guesswork.

**Items 39 and 40**

Both these items appeared on a previous paper. In both items, it was pleasing to find a marked increase in the number of candidates selecting the key.

# PRINCIPLES OF ACCOUNTS

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Paper 7110/02

Paper 2 Structured

## General comments

Overall candidates attempted all questions and it was evident that a reliance on **Question 5** to gain marks was less prominent than in previous sessions. Attention should be given to layout and headings because abbreviations such as TPL or B/S are not acceptable. The correct presentation of data is an important aspect of accountancy.

## Comments on specific questions

### *Section A*

#### **Question 1**

- (a) (i) Varied answers, often the mark was lost because the answers were too vague or incomplete, i.e. did not indicate that an invoice relates to goods or services bought on credit.
- (ii) Good answers overall; however, some candidates confused the function of a credit note with that of a debit notes, i.e. a reversal with regard to the context of the question.
- (iii) This was well understood by the majority of candidates.
- (b) A very good response, but, again marks were lost due to poor presentation, e.g. 'cheques paid' instead of 'bank' and a failure to put the word balance prior to b/d or c/d. Marks were awarded for the narrative and the figure. Also, there was some confusion with regard to the two interest figures.
- (c) Good answers, but marks were lost for not identifying "total" debtors/creditors. Marks were also lost for not identifying that calculating the total purchases/sales figures only applies when records are incomplete.

#### **Question 2**

- (a) Answers varied between Centres and indicated that there was a lack of practice with regard to double entry and the use of the journal. Common errors were as follows:
- Reversal on the entries relating to bad debts
  - The provision figure was incorrectly calculated, and
  - Where correctly calculated the provision was debited and debtors were credited in error.
- (b) Well answered overall by the majority of candidates. It was evident, as stated previously, that some Centres had not given sufficient coverage to double entry procedures.
- (c) Reasonable answers, but some candidates lost marks due to not indicating that the items in the profit and loss were expenses, or that these required a debit entry. Additionally, in the balance sheet, the fact that the items represented a current asset was also missed.
- (d) Good answers overall.

### Question 3

- (a) The topic was well understood, but marks were lost due to workings not being presented by some candidates.
- (b) Reasonable responses overall, but having correctly calculated goodwill some candidates did not enter it in the balance sheet. Failing to adjust the bank balance and including both the capitals of Falcon and Sparrow were also common errors.

### Question 4

- (a) Common errors were as follows:

- Utilising the cost of sales figure and failing to calculate the correct sales figure
- Deducting in error the provision for doubtful debts from the expenses figure
- Endeavouring to re-calculate the capital figure when the question stated that the “at start of year” figure given in the question should have been used

The method of calculation was well understood.

- (b) Many weak answers due to a failure to appreciate the key words in the question, i.e. “explain the importance of the following ratios”. Common failings were:

- No attempt to answer this part of the question, or, only a minimal attempt
- Re-stating the results from part (a)
- Simply explaining how the ratio is calculated
- Failure to explain how the data is used by a business e.g. comparison with previous years, as opposed to just the calculation of the figures

- (c) Good answers, but a common error was a failure to adjust the debtors with the provision for doubtful debts.

### Question 5

Overall the topic was well understood.

- (a) Common errors:

- The trading account was usually correct but the heading mark was often lost due to poor presentation
- In the profit and loss, the interest on loan was rarely calculated correctly
- The repayment of loan figure was erroneously entered
- The calculation of depreciation of motor vehicles was calculated on a straight-line basis in error.

- (b) Common errors:

- Failure to include the correct loan interest and loan repayment figures in current asset was rarely seen
- The correct loan balance was also rarely seen
- Some candidates inserted the loan figure in the middle of the capital section
- The loan value was rarely adjusted