

# PRINCIPLES OF ACCOUNTS

**Paper 7110/11**  
**Multiple Choice 11**

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

## **General comments**

There were 242 candidates. The mean mark was 16.18 and the standard deviation was 5.31.

When compared to the target accessibility of 25-80%, one item proved to be easier than anticipated, two items proved to be slightly easier than expected, and one item proved to be slightly more difficult than was anticipated.

All the items were within the scope of the syllabus.

The statistics show that a number of candidates do not understand some of the basic principles of the subject such as double entry.

## **Comments on specific items**

### **Item 3**

86% knew that the accounts involved were Khalid and purchases returns, but 33% did not identify the correct double entry within these accounts.

### **Item 4**

The key was selected by 41%. It was disappointing to find that 47% believed that cash sales are recorded in the sales ledger.

**Item 7**

52% correctly selected the key, A. It was surprising that 28% believed that a standing order for a payment from the bank account would be entered in the journal.

**Item 10**

Whilst 55% selected the key, D, 23% incorrectly selected option B. The entries described in B were an example of an error of complete reversal and not a compensating error.

**Item 11**

36% correctly selected the key, C, but 35% incorrectly selected Option A. These candidates appeared to believe that both the opening accrual and the closing accrual should be deducted from the amount paid to calculate the expense for the year. The closing accrual, should, of course, be added to the amount paid and the opening accrual should be deducted.

**Item 12**

The statistics indicate a substantial degree of guesswork. It was expected that candidates would understand that the increase in the provision, \$300, should be debited to the income statement (profit and loss account) and credited to the provision for doubtful debts account.

**Item 14**

There would appear to be some degree of guesswork between Options A, B and C. Only 36% correctly selected A as the key. The error described would cause the motor vehicles to be overstated and the expenses to be understated (causing the profit for the year to be overstated).

**Item 15**

89% knew that the correction of the error would be recorded in the purchases returns account and the suspense account. Lack of understanding of basic double entry resulted in 49% selecting Option C which was the reversal of the actual entries required.

**Item 18**

The key was selected by 38%. It was disappointing to find 46% treating the long term loan as a current liability.

**Item 21**

Whilst 45% correctly selected B as the key, it was disappointing to find 29% believing that interest on capital and share of profit are debited to the current account of a partner. These items should, of course, be credited to the account.

**Items 22 and 23**

These were both on the topic of accounts of clubs and societies.

In Item 22 it was expected that candidates would know that the accumulated fund equals assets minus liabilities. The statistics indicate a degree of guesswork. The key was selected by only 24%. It was disappointing that 43% treated the loan to a member as a liability instead of an asset.

In Item 23 the key was selected by 45%, but there appeared to be a degree of guesswork in the selection of the options. The purchase of equipment would affect the receipts and payments account and the balance sheet of a sports club.

**Item 25**

43% correctly identified D as the key. Once again, there appeared to be a degree of guesswork. It was expected that candidates would be able to calculate the gross profit of \$11 000 and the cost of sales of \$44 000. As there was no opening inventory (stock) the purchases should have equalled the cost of sales plus the closing inventory (stock).

**Item 26**

The key was correctly selected by 45%. It was disappointing that 39% did not realise that a transfer to general reserve would appear in the appropriation account of a limited company.

**Item 30**

The statistics indicate a general lack of understanding of the accounting principles. It was disappointing that only 38% could identify D as the key.



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**Paper 7110/12**  
**Multiple Choice 12**

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

## **General comments**

There were 5431 candidates. The mean mark was 22.07 and the standard deviation was 6.09.

When compared to the target accessibility of 25-80%, three items proved to be easier than anticipated and three items proved to be slightly easier than expected. No items were too difficult.

All the items were within the scope of the syllabus.

The statistics indicate that a large number of candidates had a good knowledge of the subject and were able to apply that knowledge to given situations.

## **Comments on specific items**

### **Item 10**

The key, C, was correctly identified by 54%. It was a little disappointing that 25% believed that both the opening and closing accrual should be deducted from the amount paid to calculate the expense for the year. The closing accrual, should, of course, be added to the amount paid and the opening accrual should be deducted.

**Item 11**

51% correctly selected A as the key. The selection of the other three options indicates a degree of guesswork. It was expected that candidates would understand that the increase in the provision, \$300, should be debited to the income statement (profit and loss account) and credited to the provision for doubtful debts account.

**Item 14**

96% knew that the correction of the error would be recorded in the purchases returns account and the suspense account. It was disappointing that 27% did not know the correct double entry and selected Option C.

**Item 17**

The key, B, was selected by 70%. It was disappointing to find 23% treating the long term loan as a current liability.

**Item 18**

Option D, the key, was identified by 64%. It was slightly disappointing that 25% selected Option C, which included two trading businesses and a service business.

**Item 20**

69% correctly selected B as the key. It was disappointing to find that 25% believed that share of profit is debited to the current account of a partner. This should of course, be credited to the account.

**Item 21**

The key, D, was correctly selected by 48%. It was disappointing that 35% treated the loan to a member as a liability instead of an asset.

**Item 23**

Option B was correctly identified as the key by 66%. It was a little disappointing that 31% incorrectly selected Options C and D. These candidates did not appreciate that profit/loss can be measured from the change in the capital account balance over time.

**Item 29**

61% correctly identified D as the key. The selection of Options A and C indicates a degree of guesswork by a number of candidates. It was expected that the vast majority of candidates would correctly identify the accounting principle of money measurement.

# PRINCIPLES OF ACCOUNTS

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Paper 7110/21

Paper 21 – Structured  
Written Paper

## General comments

It was evident that candidates from some Centres had not been adequately prepared for the examination. Topics in the paper were not well understood by these candidates and were either poorly attempted, or not attempted at all. A full coverage of the syllabus and adequate practice are essential to achieving success in the examinations.

### Question 1

- (a) The debit and credit entries were often entered on the incorrect side of the account. Candidates would benefit from practice in preparing a sales ledger account for debtors.
- (b)(i) Good overall. Most candidates could offer a reason for trade discount being offered.
  - (ii) Again good; the required day book was identified correctly.
  - (iii) Mixed response. It was evident that candidates in some Centres had not been taught the commercial documentation which is essential to book-keeping entries.
- (c) This account, as in the case of (a) above, elicited a mixed response.
- (d) The bank reconciliation statement was not attempted by many candidates. Where it was attempted there were very few correct solutions.

### Question 2

- (a) A reasonable response, the topic was well recognised and understood.
- (b) (i) and (ii) The same comment as for (a) above applies.
- (c) This section was not well done. The conceptual development of points (a) and (b) were the focus of this question. The concept of depreciation as an estimated cost with regard to expenditure in a given financial year was not appreciated.
- (d) There was a reasonable response, but with large variations between Centres.
- (e) The same comment applies as for (d) above.
- (f) Very well done. The majority of candidates answered this section correctly.

### Question 3

- (a)(i) and (ii) The majority of candidates did not understand the requirement very well nor the implications of the incomplete records/single entry on the question. The previous comment regarding adequate coverage of the syllabus and the importance of practice would apply here.
- (b) The same comment as for (a) above applies here too.
- (c) A reasonable response. Candidates recognised the advantages of double entry accounts.

**(d) (i) and (ii)** This varied between Centres. There were some reasonable answers but weak responses from other candidates seem to indicate that the topic may not have been well taught.

#### Question 4

**(a)(i) to (iv)** Where Centres had given sufficient coverage of ratios good answers were seen. Again, the knowledge of candidates from some Centres was minimal.

**(b) (i) and (ii)** The same comment to **(a)** above applies to this section. Candidates did not have a sufficient understanding of the results of the ratios to respond to this part of the question.

**(c) (i) and (ii)** Candidates who had been able to respond to **(b)**, often provided valid comments about the reasons for the change in the ratios given in the question and when compared to those in **(a)**.

#### Question 5

**(a)** The trading and profit and loss sections of the income statement were usually well done. The main problems were:

- calculating the correct depreciation charges
- calculating the correct debenture interest figure.

The appropriation section of the income statement produced varied results on a Centre basis. Many candidates had only a minimal understanding of the appropriation section in relation to companies.

**(b)** The fixed assets, current assets and current liabilities sections were mainly well done. The financed by section varied on a Centre basis. Many candidates did not have sufficient knowledge or understanding to show the required entries. The main problems were:

- a failure to adjust the depreciation figures correctly
- failing to enter the adjusted figure for the provision for doubtful debts, even when this had been correctly calculated in the income statement; candidates often used the figure from the question
- omitting the debenture interest payable
- the full details of the share capital were not given.



# PRINCIPLES OF ACCOUNTS

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Paper 7110/22  
Paper 22 - Structured  
Written Paper

## General

Performance varied between Centres and it was evident that in some instances the syllabus had not been covered in sufficient depth to enable candidates to respond well to questions. Also, there was a lax approach to calculations by some candidates, who lost marks through being careless..

### Question 1

- (a) This was not well done. Evidently the distinction between owner's capital and capital employed was not understood. In some instances candidates calculated the correct figures but transposed the answer. The point already made about calculations often applied here, where, in calculating capital employed, many candidates were careless with the figures: \$500 + \$6000 does not give \$5600!
- (b) The responses varied between Centres, (the identification of the prime entry records was not always clearly understood). Where the key calculations, via an appreciation of double entry, had been well taught candidates obtained reasonable marks.
- (c) A good response overall. The most common error was to not include the gross profit in the calculation of the capital figure.

### Question 2

- (a) A reasonable response overall, the most common error(s) were due to use of the wrong narrative(s) e.g. payments instead of bank or cash.
- (b) This was not well done. The basic requirement to calculate an appropriate set of figures was not understood.
- (c) The response to this section reflected (b) above.
- (d) This was well done. Many correct answers being seen. Marks were lost in some instances due to the use of abbreviations, i.e. G.P. and N.P. are not acceptable.

### Question 3

- (a) The identification of reputation and good name or trade marks was the most common answer, only a minority of candidates identified the required calculation: purchase price less net assets = goodwill.
- (b) The concept of prudence was identified by many candidates. Money measurement was also often seen. But quite often, if one of the above was given, an incorrect concept was also given!
- (c) A very poor response. The adjustment to the capital balances via a deduction of the goodwill figure, shared 2:1, from the capitals of the partners was appreciated by only a small number of candidates.





- (d) Again a poor response. The most common correct figures were for fixed assets, \$33 000, and creditors, \$11 000. The bank was shown separately by the majority of candidates, i.e. the net overdraft figure of \$6000 was rarely seen. Also, the capital was often given as a total, and was not shown for each partner.
- (e) A very good response to this section, many correct answers seen.

#### Question 4

This topic was well understood. Many candidates obtained full marks. It should be noted that the answer to (d) was required to be expressed as "times"; a percentage is not appropriate.

#### Question 5

There was a reasonable response to this question. The most common errors were as follows:

- (a) The accounts were good up to prime cost, but, alien items, e.g. depreciation of office equipment, were included in the overheads.
- (b) Errors in this section:
- a failure to include the cost of production in the trading account
  - incorrect calculation of depreciation
  - confusion with regard to loan interest, i.e. two figures given \$2400 and \$3200, but this should have been combined:  $\$2400 + \$800 = \$3200$ .
- (c) Errors in this section:
- the figure of net debtors, \$43 200, was not entered even when the correct figures were given for the debtors and the provision for doubtful debts
  - the bank (loan repayable in 12 months) was treated as a current asset
  - very few candidates included the figure for the interest accrual, \$800
  - the loan was included in the capital balance calculation and not as a separate item.