

# PRINCIPLES OF ACCOUNTS

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

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

## **General comments**

There were 120 candidates. The mean mark was 15.42 and the standard deviation was 5.49.

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

All the items were within the scope of the syllabus.

## **Comments on specific items**

### **Item 5**

Despite being clearly dated, the transaction of 2 Feb was incorrectly included by 32%.

### **Item 8**

39% mistakenly believed that cash withdrawn for office use represented drawings.

### **Item 9**

Although the key, A, was selected by 49%, the selection of the other options indicates a substantial degree of guesswork. Candidates should have been able to work out that Ann was purchasing from Cindy, so the answer was likely to be either A or B. As the transaction on 14 April was for cash, Ann owed Cindy \$490 on 30 April.

**Item 10**

Only 38% knew that only the first error affected the balancing of the trial balance. The selection of the other options indicates a substantial degree of guesswork.

**Item 11**

This question proved very difficult and only 17% selected A as the key. The majority of candidates were not able to make the correct adjustments. The transfer to income statement represented the expense for the year – the amount paid plus the opening prepayment and plus the closing accrual. Therefore, the amount paid was \$10 302.

**Item 12**

80% knew that the double entry would be made in the accounts of Leroy and bad debts, but 22% reversed the entries.

**Item 15**

The correct accounts to debit and credit were identified by 81%, but 24% failed to appreciate that the correction required the original figure to be doubled.

**Item 16**

34% knew that the closing balance on a purchases ledger control account presented the total trade payables. 47% mistakenly believed that the balance represented the total credit purchases.

**Item 17**

It was anticipated that the majority of candidates would select Option A as the key. It was surprising that 35% believed that discount received affected both profits.

**Item 18**

The selection of the options indicates a general misunderstanding of the definition of capital employed. Capital employed can be calculated by using the formula “capital plus non-current liabilities”.

**Item 21**

This item proved difficult for the majority of candidates. The subscriptions for the year amounted to \$6000. At the start of the year \$480 was owed for the previous year and at the end of the year \$280 was prepaid. The amount received from members should, therefore, have been \$6760.

**Item 22**

Many candidates did not appear to appreciate that outstanding subscriptions at the end of the year represent a current asset to a club.

**Item 23**

The statistics indicate a substantial degree of guesswork. Candidates were expected to understand that a decrease in the long term loan, a decrease in the net current assets and a decrease in the non-current assets would all result in a decrease in the capital.

**Item 24 and Item 25**

The statistics seems to indicate a lack of understanding of limited company accounts.

**Item 26**

53% correctly identified C as the key. It was somewhat surprising to find that 32% incorrectly believed that Supervisor’s wages is a direct cost.

**Item 27**

It was anticipated that this would be one of the easier items on the paper. Whilst 52% correctly identified the key, B, the selection of the C and D indicates a lack of understanding of the purpose of a time sheet.

**Item 28**

The selections of the options indicate a lack of understanding of the effect of transactions on the current ratio. Candidates should have been able to calculate that options A, C and D could have no effect on the total of either the current assets or the current liabilities.

**Item 30**

The key, D, was selected by 38%. The selection Options B and C indicates a substantial degree of guesswork amongst the remainder of the candidates.

# PRINCIPLES OF ACCOUNTS

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

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

## **General comments**

There were 5290 candidates. The mean mark was 18.65 and the standard deviation was 6.18.

When compared to the target accessibility of 25-80% two items proved to be easier than anticipated, and one item 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 the given situations.

## **Comments on specific items**

### **Item 1**

The key, D, was selected by 57%. The selection of the other options indicates a substantial degree of guesswork amongst the remainder of the candidates. It was expected that the vast majority of candidates would select the key.

### **Item 7**

It was anticipated that most candidates would know that the document showing the transactions for the month is a statement (Option D). It was disappointing to find 26% selecting Options B and C.

**Item 9**

56% correctly identified the key as C. 38% mistakenly believed that cash withdrawn from the bank for office use represented drawings.

**Item 10**

Although the key, A, was selected by 54%, the selection of the other options indicates a substantial degree of guesswork. Candidates should have been able to work out that Ann was purchasing from Cindy, so the answer was likely to be either A or B. As the transaction on 14 April was for cash, Ann owed Cindy \$490 on 30 April.

**Item 11**

79% knew that only the first error affected the balancing of the trial balance, but 23% incorrectly believed the key was C rather than B.

**Item 12**

Only 36% selected A as the key. Many candidates were not able to make the correct adjustments. The transfer to income statement represented the expense for the year – the amount paid plus the opening prepayment and plus the closing accrual. Therefore, the amount paid was \$10 302.

**Item 17**

58% knew that the closing balance on a purchases ledger control account presented the total trade payables. 29% mistakenly believed that the balance represented the total credit purchases.

**Item 18**

It was anticipated that the majority of candidates would select Option A as the key. It was surprising that 31% believed that discount received affected both profits.

**Item 19**

The selection of the options indicates a general misunderstanding of the definition of capital employed. Capital employed can be calculated by using the formula “capital plus non-current liabilities”.

**Item 22**

This item proved difficult for the majority of candidates. It was based on the same principles applied in Item 12. The subscriptions for the year amounted to \$6000. At the start of the year \$480 was owed for the previous year and at the end of the year \$280 was prepaid. The amount received from members should, therefore, have been \$6760.

**Item 23**

Many candidates did not appear to appreciate that outstanding subscriptions at the end of the year represent a current asset to a club.

**Item 24**

The statistics indicate a substantial degree of guesswork. Candidates were expected to understand that a decrease in the long term loan, a decrease in the net current assets and a decrease in the non-current assets would all result in a decrease in the capital.

**Item 25**

The key, A was selected by 54%. Selection of the other options indicates a lack of understanding of limited company accounts.

**Item 27**

63% correctly identified C as the key. It was somewhat surprising to find that 22% incorrectly believed that Supervisor’s wages is a direct cost.

**Item 28**

It was anticipated that this would be one of the easier items on the paper. Whilst 44% correctly identified the key, B, the selection of the other options indicates a lack of understanding of the purpose of a time sheet.

**Item 29**

The selections of the options indicate a lack of understanding of the effect of transactions on the current ratio. Candidates should have been able to calculate that options A, C and D could have no effect on the total of either the current assets or the current liabilities.

# PRINCIPLES OF ACCOUNTS

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**Paper 7110/21**  
**Paper 21 - Structured**

## **KEY MESSAGES**

It is essential that the syllabus is fully covered with appropriate conceptual underpinning in order to ensure examination success.

With regard to double entry procedures practice questions will enhance a candidate's ability to respond adequately to questions.

## **GENERAL COMMENTS**

As stated in previous reports it was evident that a thorough coverage of the syllabus was not being sufficiently undertaken by some centres. A lack of knowledge of basic double entry procedures and a weakness of basic conceptual underpinning were in evidence either via the responses given or questions not being attempted. However, many scripts evidenced the fact that a very good teaching approach had been undertaken and this enabled candidates to respond satisfactorily to the questions.

## **QUESTION 1**

- (a) (i) The capital figure was correctly calculated by many candidates. The basic concept of assets minus liabilities to give this figure was well understood.
- (ii) The capital employed figure was less well answered, i.e. owner's capital plus liabilities due in over one-year. Many candidates assumed this was the same as the figure for (i) above.
- (b) The comment above regarding double entry procedures is relevant here. The books of original entry were essentially correctly identified, but the accounts to be debited and credited showed a lack of appreciation by some candidates. The effect on capital calculation was rarely shown correctly.
- (c) (i) The core purpose of an invoice was often missed, i.e. a demand for payment. Candidates mainly stated the contents of an invoice.
- (ii) The term 'cheque counterfoil' was not understood by many students who consequently were unable to state its purpose.
- (iii) The purpose of a credit note was well understood.

## **QUESTION 2**

- (a) The majority of candidates understood the use of control accounts.
- (b) Again the double entry factor showed itself. Responses were in many instances excellent, but, others indicated that control accounts had not been covered adequately.
- (c) (i) Where candidates had a sound understanding of double entry principles the responses to the required journal entries was excellent.
- (ii) The comment above again applies. A reasonable response overall with regard to identifying the concepts (principles).

- (d) The main problem for candidates in calculating the wages figure was the correct treatment of the employer's tax figure.

### QUESTION 3

- (a) The topic of partnership agreements was well answered.
- (b) Many correct appropriation account responses were seen.
- (c) Good responses, however, the balances brought down were often omitted from the current accounts.
- (d) The responses showed that the reason for not retaining goodwill in the books was not well understood by many candidates.
- (e) Compared with (b) and (c) above the capital accounts were not well done. Some candidates incorrectly included items from the appropriation account and only a minority showed the adjustment for goodwill.

### QUESTION 4

- (a) Overall (i), (ii), (iii) and (iv) produced good responses. The calculation of the required ratios was well understood by candidates. A lack of knowledge was sometimes evident with regard to calculating the quick ratio (acid test).
- (b) The ability to provide points of reasoning regarding the change in net profits was not well developed by the majority of candidates.
- (c) An increase in capital investment was the most common response to this part of the question.

### QUESTION 5

- (a) This topic always produces very good responses. The main errors were:
- Missing the adjustment to direct factory wages.
  - Inserting income statement items in the factory overheads.
- (b) Again a very good response. The main errors were:
- Missing the inclusion of cost of production in the cost of sales calculation.
  - Incorrectly calculating for expenses the prepaid and accruals adjustments.
- (c) The responses in the Balance Sheet reflected (a) and (b) above, very good overall. The main errors were:
- Incorrectly calculating depreciation to date figures, where correctly calculated in the income statement.
  - Failing to include all the stock items in the current assets.
  - Omitting the long term loan.

# PRINCIPLES OF ACCOUNTS

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**Paper 7110/22**  
**Paper 22 - Structured**

## **KEY MESSAGES**

It is essential that the syllabus is fully covered with appropriate conceptual underpinning in order to ensure examination success. With regard to double entry procedures practice questions will enhance a candidate's ability to respond adequately to questions.

## **GENERAL COMMENTS**

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a good grade.

When preparing for the examination candidates are advised to work through relevant questions on previous examination papers and appropriate exercises in textbooks.

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

## **QUESTION 1**

- (a) The most common errors here were the omission of correct dates and the inclusion of cash discounts in the bank account. Weaker candidates demonstrated difficulty with the labelling of balances in the cash book.
- (b) Again dates were frequently missing and candidates failed to show the correct label for the balance brought down.
- (c) It was evident the required format for a bank reconciliation statement had not been adequately covered by some centres. Although the statement balance of \$804 was overdrawn this was often not indicated.
- (d) The majority of responses to this task were good overall.

## **QUESTION 2**

- (a) Many candidates were awarded full marks for the causes of depreciation. Some answers stated erroneously, to value machine, or, to determine profit when sold.
- (b) The factors of low maintenance costs in early years/more in later years and technology change were not recognised.
- (c) This was not well answered. Calculations were difficult to follow and where the correct depreciation figure was calculated it was often corrupted by adjusting it with another figure.
- (d) The deduction of depreciation from cost was often missed when calculating the required figure of loss on sale.

- (e) Many candidates failed to use the correct cost figure, or, only deducted one year's depreciation. Very few candidates calculated the correct figures of net book value.
- (f) The distinction between capital expenditure and revenue expenditure was well recognised by the majority of candidates.

### QUESTION 3

- (a) The procedure to find the missing figures was understood by many candidates. The error that occurred was to include an erroneous figure in the calculation, e.g. adding the cash purchases which corrupted the figure.
- (b) The most common errors were a failure to include loan interest, depreciation or loss on sale.
- (c) The most common error was the omission of the accruals figure and the bank loan being dealt with incorrectly or omitted altogether.

### QUESTION 4

- (a) Overall the standard of responses were very good, however it was evident that some candidates had not been given adequate instruction in the calculation of ratios.
- (b) The most common answer was that the sales were at a low price or a low profit. The point that a high volume of sales was required given this situation was missed by the majority of candidates.
- (c) The majority of candidates answered this task correctly.

### QUESTION 5

- (a) The responses to this question were, as in previous examinations, very good. Many answers only included minor errors. Most candidates provided the answer in vertical format, but horizontal presentation was equally acceptable. Candidates are reminded of the importance of correctly identifying figures. For example, "GP" is not acceptable as a label for gross profit, "DFF" is not acceptable as a label for depreciation of fixtures and fittings, and "PDD" is not acceptable as a label for provision for doubtful debts. Some candidates were unable to proceed with the appropriation account adequately.
- (b) The overall standard of responses were good with the most common errors being in the incorrect treatment of the current account balances of the partners and the failure to include the capital transfer of \$10000 in Yang's current account.