

# PRINCIPLES OF ACCOUNTS

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

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

## **General comments**

There were 81 candidates. The mean mark was 13.15 and the standard deviation was 5.15.

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

All the items were within the scope of the syllabus.

The statistics indicate that a significant number of candidates do not appear to have a thorough knowledge of double entry book-keeping. It is important that candidates have a thorough knowledge of the basic principles of the subject and that they read each item very carefully before attempting an answer. Many failed to appreciate the effect of entering an item on the wrong side of an account. Many also seemed unable to distinguish between entries in the books of the seller and the buyer. Inevitably, there appeared to be a degree of guesswork on the part of the less-able candidates.

## **Comments on specific items**

### **Item 1**

It was anticipated that most candidates would be able to recognise the differences between book-keeping and accounting.

### **Items 3, 5, 7, and 11**

In each of these items a significant number of candidates made the error of not considering the scenario from the viewpoint of the trader whose books were being maintained.

### **Items 4, 15, and 18**

The majority of candidates obviously knew the accounts which were affected, but many selected the options which reversed the entries in those accounts. A lack of understanding of the division of the ledger also played a part in the incorrect responses to Item 4.

### **Item 6**

27% correctly selected the key, B. The statistics indicate a substantial degree of guesswork. It was anticipated that candidates would know that the payment and discount cancelled out the original balance and that the amount owing at the month-end was the invoice less the credit note.

### **Item 8**

This should have been a relatively straight-forward item. It was expected that candidates would appreciate that receiving and despatching goods did not involve the exchange of money. The bank balance on 31 January should have been \$10 000 less \$3000.

### **Item 9**

It would appear that a large number of candidates do not understand the purpose of a bank reconciliation statement. The majority selected option D, which stated that it contained items appearing in both the cash book and the bank statement. Candidates should have been able to select the key, A, by a process of elimination of the other three options.

### **Items 10 and 19**

Most candidates recognised the accounts in which entries should be made to correct the errors described, but a significant number failed to recognise that the accounts would be affected by double the amount of the error.

### **Items 13 and 14**

These both concerned year-end adjustments. The statistics indicate that this is a topic in which many candidates would benefit from further study.

### **Items 25 and 26**

The accounts of limited companies continue to be a difficult topic for many candidates. It was expected that candidates would know that dividend received by preference shareholders is based on the par value of the shares and is not a percentage of the profit. It was also expected that most candidates would understand that debentures are long term loans and are not part of the capital and reserves of a company.

### **Item 28**

This concerned deductions from an employee's gross pay. Candidates should have realised that both the pension contribution and the subscription were voluntary deductions. Any government/state pension is provided from statutory deductions in the form of National Insurance, whereas a private pension contribution is purely voluntary.

### **Item 29**

36% selected the key, D. 41% incorrectly included the long-term loan in the current liabilities.

### **Item 30**

Only 21% selected the key, A. It was expected that the majority of candidates would recognise that options B, C, and D were not advantages of using the accounting principle of historical cost.

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

## **General comments**

There were 5350 candidates. The mean mark was 17.54 and the standard deviation was 6.40.

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

All the items were within the scope of the syllabus.

The statistics indicate that a significant 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 only 11%. It was anticipated that the vast majority of candidates would know that the accountant would not be involved in recording financial transactions. It may be that candidates misread the question and did not notice the word “not”.

### **Item 4**

49% correctly selected D as the key. 38% selected B, understanding that a statement of account is sent by the supplier to the customer, but incorrectly believing that it is a source document for the sales journal.

**Item 5**

Only 29% selected the key, B. The 40% selecting option A incorrectly deducted the cash discount in addition to the trade discount.

**Item 7**

46% incorrectly calculated the interest at 8% on \$24 000 for a whole year. The calculation should have used 8% on \$15 000 for 7 months plus 8% on \$24 000 for 5 months.

**Item 8**

The vast majority understood that the cash book balance would be \$410 different to the bank statement balance, but 35% incorrectly deducted this figure from the bank statement balance, instead of adding it.

**Item 13**

It was anticipated that the majority of candidates would appreciate that the expense for the year was half of the payment made on 1 July 2010 and half of the payment made on 1 July 2011. 55% correctly selected the key, B, but 32% indicated that the expense for the year was \$3000 (the payment made on 1 July 2011).

**Item 14**

75% realised that the entry for the adjustment to the provision for doubtful debts would be \$50 and not \$1025, but only 55% knew the correct double entry.

**Item 16**

It was expected that the majority of candidates would recognise that option D gave the correct definition of depreciation, but the key, D, was selected by only 40%.

**Item 22**

Candidates were expected to know that capital employed represents the net assets or, alternatively, the owner's capital plus non-current liabilities. 39% incorrectly deducted the non-current liabilities from the net assets.

**Item 25**

58% correctly selected the key, B. 30% failed to appreciate that subscriptions owing would not appear in a receipts and payments account which records only monies paid and received during the period.

**Item 28**

This should have been a relatively straight-forward item. The key was selected by only 51%. Option A, the employee's net pay, was selected by 32%: possibly because they misread the question.

**Item 30**

The key, C, was correctly chosen by 54%. It was expected that the vast majority of candidates would select materiality as the accounting principle being applied.

# PRINCIPLES OF ACCOUNTS

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

## Key messages

- The question paper contained a mixture of theory, practical application and some higher skills and in order to score well it is necessary to prepare topics across the syllabus.
- When preparing accounting records such as ledger accounts or journal entries the proper account names should be used and not descriptions of the transaction.
- Where questions require a written answer, the sense of the answer should be clearly stated and will earn marks even if the grammar or spelling is incorrect.

## General comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work through questions on previous past examination papers and appropriate exercises in textbooks.

It was very noticeable that a large number of candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provided another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example, a note "Please refer to Page..." or "Continued on Page..." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations such as "bbd" for "balance brought down", "E over E" for "excess of income over expenditure" are not acceptable.

The following comments should be read in conjunction with the question paper and the published mark scheme.

## **Question 1**

(a) This question was well answered by the majority of candidates but the use of appropriate narratives and not dating transaction caused a loss of marks for some candidates.

(b) and (c) Candidates responded well to these two questions.

- (d) (i) Candidates responded well to this question.
- (ii) Candidate responses were of a variable standard which indicated that basic double entry had not been sufficiently covered.
- (e) Candidates were able to correctly identify the types of errors required.
- (f) Many candidates were unable to state the appropriate accounts and give the required figure to be debited and credited.

#### Question 2

- (a) Candidates responded well to this question however, a weakness with regard to the required double entry was in evidence, balances being randomly entered in the account showed little appreciation of the requirement.
- (b) Reasonable answers, but, limited mainly to errors/arithmetical accuracy.
- (c) (i) This calculation was often corrupted by the inclusion of the employer on costs, \$95, and omitting the tax payable by the employee, \$160.
- (ii) Reflected (i) above the payment figure, \$894, was rarely picked up prior to adjustment. The addition of employee tax at this point often corrupted the figures.
- (d) Very few correct journal entries were seen indicating a poor knowledge of double entry bookkeeping.

#### Question 3

- (a) This was generally well answered with the most common error being that the donations received were often incorrectly shown as a debit which corrupted the calculation of the accumulated fund.
- (b) (i) Few candidates were able to correctly calculate the figure of \$2,015 for transfer to the Income and Expenditure Account. The required double entry was again not understood by many candidates.
- (ii) The majority of candidates provided good responses here with the main error being the omission of the \$75 adjustment of the purchase figure.
- (c) Candidate response were varied with the most common errors being the omission of the donations figure and the omission of the \$75 adjustment of general expenses.
- (d) It was evident that the nature of the receipts and payment account, i.e. a cash record, was not understood by some candidates. Where the topic had been covered adequately, good answers were seen.

#### Question 4

- (a) (i) The majority of candidates provided good responses here with the correct figure of \$96,000.
- (ii) Overall good responses but some candidates did not appreciate that the answer to (a) (i) was the start point with regard to this calculation.
- (iii) The majority of candidates provided good responses here with the correct figure of \$14,400.
- (b) This was poorly done by the majority of candidates with very few correct answers being evident.
- (c) Candidate responses to this question were generally good.

### Question 5

As in previous examinations the preparation of the income statement and balance sheet were well understood, even where a minimal number of marks had been awarded on previous questions. Candidates should not rely on this question alone in order to obtain a good grade in the examination.

(a) In the preparation of the Income Statement the most common errors made by candidates were:

1. ● Omission of stock drawings in the trading section,
2. ● showing the purchases returns as an adjustment of the sales figure,
3. ● showing the decrease of the doubtful debts figure as an expense,
4. ● incorrect calculation of the depreciation figure for equipment,
5. ● omitting the loan interest.

(b) In the preparation of the Balance Sheet the most common errors made by candidates were:

1. ● Not reducing the bank figure by \$5,000,
2. ● not increasing the creditors figure by \$5,000,
3. ● omitting the loan interest as other payables,
4. ● not identifying the 6% bank loan correctly,
5. ● not including the \$450 in the drawings figure.

# PRINCIPLES OF ACCOUNTS

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

## Key messages

- The question paper contained a mixture of theory, practical application and some higher skills and in order to score well it is necessary to prepare topics across the syllabus.
- When preparing accounting records such as ledger accounts or journal entries the proper account names should be used and not descriptions of the transaction.
- Where questions require a written answer, the sense of the answer should be clearly stated and will earn marks even if the grammar or spelling is incorrect.

## General comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work through questions on previous past examination papers and appropriate exercises in textbooks.

It was very noticeable that a large number of candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provided another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example, a note "Please refer to Page..." or "Continued on Page..." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations such as "bbd" for "balance brought down", "E over E" for "excess of income over expenditure" are not acceptable.

The following comments should be read in conjunction with the question paper and the published mark scheme.

## **Question 1**

- (a) The majority of candidates responded well to this question however, some candidates calculated capital correctly but did not complete the trial balance by omitting the total of the debit and credit columns.



- (b) The standard of responses was variable with only a small number of candidates correctly identifying the source documents, for paying wages. Additionally the purchases journal was often given instead of the general journal with regard to the capital expenditure item. Additionally ledger accounts were given as books of prime-entry, e.g. sale returns account instead of sales returns journal.
- (c) This was poorly answered with dates being omitted, incorrect narratives being given and closing balances not being brought down correctly.
- (d) The majority of candidates responded well to this question
- (e) The majority of candidates responded well to this question but some answers were too vague, e.g. easier and more efficient are not adequate responses.

### Question 2

- (a) The majority of candidates were able to score full marks in this question with Item 3, suspense/discount received causing the most problems, i.e. \$3,050 was indicated instead of \$6,100.
- (b) Candidate responses were of variable standard which indicated a weaker understanding of the effect of the double entry, with regard to the items corrected in (c) above on the draft profit figure given in the question.
- (c) (i) Variable responses with candidates often stating prudence and not matching.
  - (ii) The majority of candidates were able to name the money measurement concept and indicate its implications.
  - (iii) The majority of candidates were able to name the consistency concept but statements to support this were often weak, e.g. "must use the same method", is not sufficient an indication of over the years of life of the asset, or, from year to year was also required.

### Question 3

- (a) The majority of candidates were able to gain marks for dealing correctly with the adjustments.
- (b) This reflected (a) above. The correct general reserve figure, \$85,000, was often correctly given but detail with regard to share capital was regularly omitted, e.g. ordinary shares only the 100,000 \$1 prefix was rarely given.
- (c) and (d) Candidates responded well to both parts of the question.
- (e) The majority of candidates gave a correct reason for accounting standards, e.g. comparability, but failed to indicate the key point, i.e. the international aspect.

### Question 4

- (a) The majority of candidates were able to gain full marks, with weaker candidates including all the figures listed in the question which showed little understanding of how to utilise the required figures to obtain the answer requested.
- (b) Candidates responses indicated that the ratios were well understood. Some candidates lost marks due to presenting the answers incorrectly, e.g. for item (ii) only 2.1 was given, the descriptor was omitted. Additionally many did not take the ratio to its lowest terms, i.e. 6.5 instead of 1.2:1.
- (c) Candidate responses varied with the negative and positive movement in the current asset and current liabilities columns being miscalculated. The no effect in the current liabilities column and the increase in the working capital ratio column were often correctly identified.

**Question 5**

Candidates were well prepared for this question and good marks were achieved.

**(a)** In preparing the Income Statement the main errors made by candidates were:

1. ● The inappropriate use of abbreviations e.g. GP instead of gross profit in the trading section,
2. ● the inclusion of the building works and bank deposit in the profit and loss section,
3. ● not adjusting drawings for wages,
4. ● errors in calculating the depreciation of buildings,
5. ● showing the loan interest as £1,200 only.

**(b)** In preparing the Balance Sheet the main errors made by candidates were:

1. ● Omitting the additional buildings in fixed assets,
2. ● splitting the figure for land and buildings,
3. ● including the bank deposit in fixed assets,
4. ● in current assets/liabilities the bank deposit and bank overdraft being shown as a net figure,
5. ● omitting the current account balances.