ACCOUNTING

Paper 9706/12
AS Level Multiple Choice

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

Key messages

- With questions about the purpose of various systems, controls or checks, consider carefully the validity of statements which claim to eliminate error and fraud.
- When a question asks for consideration of the effect of a change in costing method, read the question carefully and be clear about the impact on the statement of profit or loss in relation to closing inventory as well as the valuation of inventory itself.

General comments

Of the candidates who sat this examination, 53 per cent achieved a score of 16 or more correct answers. The mean score was 16 marks. **Questions 14**, **15** and **21** were straightforward with more than 75 per cent of candidates identifying the key. **Questions 1**, **3** and **27** caused some difficulty. These questions are considered below.

Comments on specific questions

Question 1

Just under half of candidates incorrectly selected distractor **C**. However, recognising sales revenue does not depend on receipt of payment from the customer. Sales revenue is recognised when it is earned. Therefore, the key was **A**, being the point at which goods are delivered and a credit sale is recorded.

Question 3

More candidates selected distractor **B** than the key, which was **D**. The question required a careful reading of the options. A computerised accounting system can only assist in the process of minimising errors by using various automated calculations and checks but cannot ensure that the records will be completely error free.

Question 27

Many candidates opted for distractor **C**. This correctly identified that the value of inventory would increase using absorption costing, however, it did not identify the correct effect on profit for the year. This was the first year of trading for the business, therefore the inventory valuation relates to closing inventory. A higher value of closing inventory would reduce the cost of sales and hence increase profit for the year.
Thus, the key was **D**.

ACCOUNTING

Paper 9706/22
AS Level Fundamentals of Accounting

Key messages

Candidates provided detailed, often well developed, responses to the two questions requiring an evaluation and performed well on these two questions. However, there are still areas of concern:

- Candidates must show workings in the appropriate areas within the boxes provided. This ensures that partial marks can be awarded if the final answer is incorrect.

- A common weakness was a failure to use correct narratives in ledger accounts. This was noticeable in the preparation of the sales ledger control account, and the ordinary share capital and reserve accounts of the limited company. Balances must always be brought down on any ledger accounts prepared.

- Abbreviations should not be used and the date columns used appropriately.

Comments on specific questions

Question 1

The question concentrated on the financial statements of a partnership.

(a) A draft profit had to be corrected to reflect corrections to arrive at a revised profit for the year. Many gained full marks to start this paper, and calculations clearly indicated whether items were added or subtracted from the draft profit for the year. The main weaknesses were a failure to calculate interest on the partner's loan taking account of the fact that the loan had been arranged part way through the year, and that the goods taken for own use by the owner would increase, rather than decrease, the draft profit for the year.

(b) A partnership appropriation account was required. It is essential that the full names of the partners are used and not their initials. Few candidates gained full marks as the interest on drawings was incorrect in many cases. The rest was well done and gained the marks, and the layout was generally good. However, most candidates failed to take account of the additional drawings when calculating interest on drawings in the appropriation account. It is essential that when a loss is calculated it is labelled as a loss and not as a profit. A common extraneous element in this account was the interest on partner loan or the actual loan itself which then meant the share of residual loss mark could not be awarded.

(c) Few candidates prepared the current account correctly as in many cases the drawings were either incorrect or not totalled. The remainder of the account was generally well done with a good layout and labels. Some candidates did confuse the two partners.

(d) An extract of the capital and liabilities section from the statement of financial position was required and few candidates performed well on this question. The partner loan, in many cases, was incorrectly labelled as a bank loan. The current liabilities were often incomplete. The layout was generally good and most appropriately labelled the sections and they were in the correct order. Only a minority of candidates remembered that a partner had increased her capital during the year when preparing the extract.

(e) (i) This was generally well done with the correct concept of business entity identified and a good explanation.

(ii) A common error was identifying the matching concept instead of prudence. Most candidates then explained the impact on profit or the trade receivables with confidence.

(f) Candidates were required to advise the directors which was the most suitable option to improve liquidity. This was a well answered question with both options discussed, and many gained high marks here. The decision was also well answered and only a few candidates did not attempt to give advice as requested. Many candidates identified both the benefits and possible disadvantages of each option. There was a good understanding of the likely impact of introducing a 5 per cent cash discount. However, a common error was that the discount allowed would reduce revenue rather than increasing the expenses. Many candidates provided a well-developed argument about the problems which could arise from delaying payment to a supplier.

Question 2

The second question focused on the function of the sales ledger control account and reconciling errors.

(a) Few gained full marks on the sales ledger control account due to incorrect labels. Most candidates could position and determine the correct figures, but some provided incorrect account labels. It must be the name of the other account involved so sales and not credit sales, interest and not interest charged. On the credit side the label needed to be bank and not receipts from customers as that is a description.

(b) (i) Candidates found reconciling the errors in both the sales ledger and the sales ledger control account challenging with few candidates gaining full marks. Only the overstated balance and dishonoured cheque needed including in this correction. Frequently there were extraneous items included.

(ii) Most candidates identified at least two correct items required to correct the balance of the sales ledger control account. It was rare that the answer was fully corrected and sometimes the treatment of items was incorrect.

(c) Candidates were well prepared for this question stating two benefits of preparing control accounts. It was well answered and completed with many answers relating to helping to prevent fraud and discovering errors. The information provided for financial statements was often given too. There were only a few candidates who did not attempt this question.

Question 3

This question concentrated on the equity section of limited companies.

(a) Candidates were asked to complete the ledger accounts for the equity section rather than a statement of changes in equity. There were many weak responses to this question. Some candidates did gain own figure marks for the balances brought down. However, only few positioned the correct amounts in the appropriate accounts and labels were often incorrect where candidates clearly demonstrated that they did not know the accounts to cross reference to. Weaker candidates were not aware that these accounts should have credit, rather than debit balances, and there were complete reversals. Some responses often had incorrect narratives. For example, the dividend payment should have been recorded with the narrative 'bank', but often candidates wrote 'dividend' instead. Though many candidates had a good grasp of how to calculate a rights issue but could not record the process in the ledger accounts.

(b) Features of capital reserves was well answered with many gaining full marks for correct explanations. Many candidates were able to state that capital reserves arise from non-trading activities and cannot be used to finance dividend payments. Some incorrectly thought that the reserves were used to purchase non-current assets.

(c) This question was well answered with many candidates giving a correct explanation of both differences. There was some misunderstanding about control issues and having a say in decision making which were too vague to be awarded. Stronger candidates discussed the dividends versus interest paid and the permanent nature of a rights issue versus repayment required for debentures.

Question 4

The final question concentrated on cost and management accounting.

(a)   Overheads had to be apportioned to service departments and then into the production departments. Many candidates performed well in this task, but a common mistake was to fail to include in their calculations the overheads that had already been allocated. Most candidates demonstrated that they did know how to apportion. Common errors related to canteen reapportionment and errors in addition.

(b)   Overhead absorption rates then had to be calculated using either the machine hour or labour hour. This was well answered with many gaining full marks for the calculation and the labels. A few candidates ignored the decimal places but generally this was adhered to. A minority of candidates forgot to label their answers appropriately, i.e., with 'per machine hour' or 'per labour hour'. Some had used both bases which gained no marks as they were obviously unsure which to pick.

(c)   Closing inventory had to be calculated using the AVCO approach. There were very few correct responses. Many candidates seemed to be unfamiliar with how to calculate the closing inventory figures in the stores department using the weighted average (AVCO) method of inventory control.

(d)(i)   Candidates were required to calculate the profit to be made for option A where the materials were limited. This proved to be difficult. There was clear evidence that many candidates did not understand the relevance of contribution. Many were not sure how to calculate profits where there was a limiting factor, in this case the materials.

(ii)   Candidates then had to calculate the profit if production was maintained, and the shortage or materials bought in from overseas. Confusion was evident with a few gaining full marks, but the majority did not gain any marks for this task and even struggled to calculate the new contribution for product Cee.

(e)   The final question asked candidates to advise the directors of which of the two options should be selected. This was well answered considering it was the last task, showing that not many candidates had timing issues. The evaluation task received a good response with many candidates making a clear, supported decision, and pointing out the advantages and disadvantages of the two options. Stronger responses developed some of their points very effectively. For example, for option A the potential loss of loyal customers who could not receive their desired amounts of inventory was explored. For option B the potential problems of buying materials from an overseas supplier were often explained in some detail, with the issue of reliability fully developed.

ACCOUNTING

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Paper 9706/32
A level Financial Accounting
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General comments

Overall performance was satisfactory with **Question 3** being the best answered question.

Comments on specific questions

Question 1

(a) A high number of candidates were able to state how a business would create a general reserve, but considerably fewer provided an acceptable explanation as to why the reserve would be created.

(b)(i) The statement to show the profit from operations was well prepared with some fully correct statements. The adjustments to account for the transfer to the general reserve, the issue of the bonus shares and the dividend payments were treated correctly by many candidates although a few made the adjustments in the incorrect direction. The most common error was the incorrect calculation of the finance costs.

(ii) Although there were very few fully correct statements, most candidates produced a statement in accordance with IAS7 and the presentation was generally good. The working capital adjustments were accounted for correctly by most candidates, but the depreciation entries, particularly for the office equipment, were often not made correctly. Few candidates were able to derive the cash outflow for motor vehicles, and many incorrectly entered the ordinary share capital increase which had arisen because of the bonus issue of shares.

(c) This was reasonably well answered with most candidates providing the required advice along with comments to justify their decision.

Question 2

(a) Despite the question clearly asking for differences, some candidates only stated information for either goodwill or a tangible asset in isolation and consequently received no credit. Of those who did answer the question, most stated one difference, a few stated two differences with hardly any able to state three acceptable differences.

(b) There were a high number of correct calculations. Nearly all candidates calculated the goodwill correctly but a few added the carrying value rather than the value of the assets taken over.

(c) Most candidates made correct entries for both the current account and W Limited but relatively few calculated and entered the profit on realisation correctly. Errors included the omission of the discount on trade payables and the inclusion of goodwill after posting the profit on realisation.

(d) There were a significant number of correct journal entries. The most common error was not splitting the consideration into ordinary shares and share premium.

(e) Although most candidates did provide the required calculations, the explanations were generally lacking in depth.

(f) Nearly all candidates gave the required decision with most supporting it with relevant comments. A few candidates provided an evaluation which considered W Limited rather than Ada and Brian.

Question 3

(a)   Nearly all candidates stated one limitation. There were some submissions containing two acceptable limitations but only a few which provided three limitations.

(b)   The ratios were calculated to a high standard with many candidates calculating them all correctly. The price/earnings ratio had the most correct answers with the gearing ratio having the least correct answers. Common errors included the use of the 2023 final dividend in the dividend yield calculation and not including the debentures in the denominator when calculating the gearing ratio. A few candidates did not make their calculations to two decimal places.

(c)   The working capital cycle calculation was made correctly by a high number of candidates. There were no common errors. A few candidates did not round up each component as was required.

(d)   There were some good responses which fully addressed the differences in the working capital cycle. Some candidates answered only regarding B plc without comparison to X plc.

(e)   As for part **(d)**, there were some good responses which provided valid points. A few candidates brought profits rather than earnings per share into their answer.

ACCOUNTING

Paper 9706/42
A level Cost and Management Accounting

General comments

Performance was good with **Question 1** being slightly better answered than **Question 2**.

Comments on specific questions

Question 1

(a) Many candidates identified and discussed a more appropriate method of apportionment than a per unit basis. Responses to the use of a fixed mark-up for setting selling prices were generally not good although some did consider the competition in the market.

(b) A high number of candidates calculated the required total annual cost correctly, and there were no common errors.

(c) The increase in costs calculations for both machine set ups and factory rent were very well answered with no common errors.

(d) This calculation was also very well answered with a significant number of fully correct answers. Some candidates did not apportion the quality inspections cost correctly, and a few calculated the selling price for product Z alone despite the question clearly asking for the selling price of each product.

(e) Most candidates provided the required advice. Many provided a range of acceptable comments as points of justification.

Question 2

(a) A high number of candidates stated how a budget may motivate staff. Although relatively fewer, a many candidates could also state how a budget may demotivate staff.

(b) The percentage calculation was performed correctly by most candidates with no common errors.

(c) There were some fully correct budgets but also a range of errors. Some candidates did not carry forward the balance at the end of February, while some omitted the discount completely.

(d) The statement of financial position was not well answered. Although many candidates did account for trade receivables and balanced the statement, there were relatively few correct entries made for the bank and retained earnings.

(e) This was well answered with a significant number of candidates stating three appropriate reasons. Some candidates were only able to provide two reasons.

(f) This was also well answered with many candidates able to state two advantages.

(g) Most candidates provided the required advice, and justification was generally good. Many candidates supplied a range of valid points.

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