PRINCIPLES OF ACCOUNTS

Paper 7110/01
Multiple Choice

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

General comments

There were 4303 candidates (compared to 3772 in June 2005). The mean mark was 26.9 (compared to 25.9 in June 2005). The standard deviation was 8.1 (compared to 8.4 in June 2005).

Judged against accessibility of 25–80% two items were regarded as being too easy but no items were regarded as being too difficult.

All the items were within the scope of the syllabus.

Comments on specific items

Items 7, 9, 25 and 32

The key was chosen by 59%, 51%, 51% and 70% respectively. The statistics indicate a considerable amount of guesswork by the remainder of the candidates.

Item 5

The key was selected by 60%. It was disappointing that 12% believed that cheques received were credited in the cash book and that 21% believed that discounts allowed appeared on the credit side of the cash book.

Item 11

It was expected that the vast majority of candidates would appreciate the effect of treating capital expenditure as revenue expenditure. 69% correctly selected the key, C, but 14% selected B and 11% selected D.

Item 14

Only 46% of candidates correctly selected the key, C. It was expected that the vast majority of candidates would recognise that the quotation given related to the matching principle. It was very disappointing to find that only such a small proportion of candidates were able to correctly identify the principle being described.

Item 15

Only 34% were able to identify D as the key. 42% incorrectly selected B (adding rent receivable and deducting the stock of stationery). The numbers selecting A and C indicate a degree of uncertainty of the effect of errors in the profit and loss account.

Item 17

56% correctly identified the key, B. 36% were divided between option C and option D. Candidates selecting C assumed that the cheques received from debtors appeared on the debit side of the sales ledger control account. Candidates selecting D assumed that both the cheques received and the discount allowed appeared on the debit side of the control account.

Item 21

The key was selected by 51%. It was disappointing to find that 42% (30% option A and 12% option B) believed that the goodwill should be shared equally between the partners even though it had been introduced to the new partnership by Y.

Item 24

Almost half of the candidates were able to identify the key, B. It was disappointing that 36% incorrectly believed that the profit would be understated as a result of the error.

Item 26

Just over half correctly selected the key, D. 18% incorrectly selected A – adding the interest on capital and deducting the drawings. 22% incorrectly selected B – correctly treating the three figures but taking the balance carried down rather than the balance brought down at the beginning of the month.

Item 28

It was expected that this item would be relatively easy for the vast majority of candidates. In fact only 52% correctly chose the key, B. It was very disappointing to find such a large number of candidates believing that stock of refreshments and subscriptions outstanding would appear in a receipts and payments account.

Item 30

The key was selected by 59%. The fact that 38% opted for A or B indicates that many candidates do not fully understand the correct treatment of year-end adjustments on revenue items.

Item 33

It was very disappointing that only 36% were able to select the key, C. 44% selected option B which was equal to the cost of sales and 18% selected A which was the cost of sales minus the opening stock.

Item 34

Only 44% were able to identify the key, A. It was disappointing that 30% selected B, which included debentures in the shareholders' funds. Selection of C and D indicates a considerable amount of guesswork by the other candidates.

Item 35

Whilst 60% correctly selected the key, B, it was disappointing that 21% incorrectly selected C. This may be due to misreading the question – though the word "not" was in bold.

PRINCIPLES OF ACCOUNTS

Paper 02

Principles of Accounts

General comments

In general candidates attempted all questions. The tendency to provide a good answer on the final account questions and make only a minimal attempt at other questions was less pronounced than in previous sessions.

The spaces provided on the paper for answers are anticipated to be adequate for the expected responses to questions. However, some candidates should write more fully in order to make an appropriate response and extra paper may be required. Centres should ensure that paper is available.

Comments on specific questions

Section A

Question 1

This was generally well done.

(a) The marks were for the correct figure and an appropriate narrative. Candidates lost marks for poor presentation of the account, e.g. the debit of 80 should have been identified as Nancy Tan, the word Bank was not appropriate.

(b) Again marks were lost for poor presentation, e.g. the figure of $458 required the narrative of, Balance as per cash book, the term Balance b/d was not appropriate.

In summary a good style of presentation in the above sections, and other questions, requiring accounts, is a requirement.

(c) (i) The majority of answers were correct.

(ii) This caused confusion and indicated the question had not been read properly, i.e. a loan from the business to the owner does not constitute drawings, or, a receipt of funds by the business. The underlying concept of entity was not recognised.

Question 2

Although there were fewer omissions, candidates tended to be weak on this topic, i.e. Club accounts.

(a) The comment on presentation, as per **Question 1(a)** also applies to this question. The term Profit and Loss and not Income and Expenditure Account lost candidates marks.

(b) Good answers, a correct calculation by the majority of candidates.

(c) It was evident that some candidates did not recognise the difference between a Receipts and Payments account and an Income and Expenditure account, i.e. many attempted to calculate a surplus.

Where more reasonable attempts were seen the requirement to calculate a missing figure for sundry expenses was not recognised by many candidates, i.e. an incomplete records test being the point of this section in addition to preparing an account in good form.

(d) Responses to this section varied reflecting the comment in **(c)** above with regard to the account being requested.

Question 3

(a) A good response, the majority of candidates calculated the depreciation figure correctly.

(b) (i) and (ii) This was done fairly well, but the style of presenting a statement of affairs was weak in many cases. There was also confusion with regard to drawings, which only required to be considered in part **(c)**.

(c) Reasonable responses overall. It was evident however that candidates in some Centres had little understanding of the calculation of profit by comparing capital balances at two given dates and adjusting for drawings.

(d) (i) A good response.

(ii) The fact that in **(i)** the working capital was the same was recognised by most candidates. The point that both component values were down by $1,000 was often seen as an answer. The implications for reinvestment in the business as a result of drawings being in excess of profit was rarely seen.

The increase in long term funding, by $2,000 was also often seen as an answer.

An increase in fixed assets, of $8,000 was often given as an answer. The implications of using an increased loan and the fact that most of the fixed assets would be fully depreciated in another year was rarely seen.

Question 4

A very good response to both parts **(a)** and **(b)**.

Question 5

This question had a very good response overall, with high marks being gained by many candidates. It was evident in some Centres that the inclusion of current accounts in a balance sheet, either in detail, or by inclusion of the balances from independently prepared current accounts was not well understood.