

ACCOUNTING

Paper 9706/11

Multiple Choice

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

Key messages

- With questions involving ratios, consider carefully which elements of the numerator and denominator might be affected by the information given in the question.
- With questions on depreciation, ensure that the depreciation policy is clear. Consider carefully the implications of the policy on the charge associated with asset purchases and disposals.
- Regarding different costing methods, understand the main benefits and limitations of each.

General comments

Of the candidates who sat this examination, 53 per cent achieved a score of 15 or more correct answers. The mean score was 15 marks. **Questions 5 and 20** were straightforward with more than 75 per cent candidates identifying the key. **Questions 2, 7, 17 and 26** gave candidates varying degrees of difficulty. These are considered below.

Comments on specific questions

Question 2

Many candidates found the question challenging. Approximately one-third of the candidates separately opted for distractors **B** and **C**. It is possible that candidates over-complicated this question. As Marcus is paying by instalments, the liability for the asset would mean that the current ratio would be lower, not higher (**B**). As less cash was going out upfront, at any point during the six months his cash and liquidity position would be

better, not worse (**C**). After one month, his overdraft would increase by \$2000 rather than the full \$12 000 i.e., the bank overdraft would be lower. Thus, the key was **A**.

Question 7

Distractor **A** was chosen by some candidates. In doing so, they either simply calculated the closing balance of $\$210\,000 \times 20\%$ or they omitted the depreciation on the asset disposal for the nine months. The key was **B** chosen by a third of the candidates.

Question 17

Distractor **C** was chosen by more than 35 per cent of candidates. The relevant calculation to derive **C** would have included the share of asset revaluation of \$10 000. However, this amount would have been credited to the partner's capital account rather than the current account. Consequently, it should be excluded such that the key was **B**.

Question 26

This question was considered to be difficult by some candidates. Approximately one-third of the candidates separately chose distractors **A** and **C**. An important feature of absorption costing is that it recognises fixed costs as part of total costs in determining selling prices. As such, it avoids the need to separate fixed and variable costs. However, that separation is important for managers for budgeting and decision-making. Thus, distractors **A** and **C** would not be appropriate. By including fixed costs, however, absorption costing satisfies the matching/accruals concept of matching costs to revenue. The key **B** was chosen by around 20 per cent of candidates.

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Paper 9706/12

Multiple Choice

Question Number	Key
1	C
2	B
3	A
4	B
5	B
6	D
7	B
8	D
9	A
10	D

Question Number	Key
11	B
12	A
13	D
14	C
15	C
16	C
17	D
18	A
19	B
20	C

Question Number	Key
21	B
22	C
23	D
24	D
25	A
26	A
27	C
28	C
29	C
30	B

Key messages

- When dealing with trial balance differences, consider carefully how items might be posted and whether all items require adjustment. Some of the given information may contain information that is not relevant to the task.
- Similarly, with control account questions, read the question carefully to consider whether adjustments are being made to the control account or to the balances. Some pieces of information may not be relevant.

General comments

Of the candidates who sat this examination, 47 per cent achieved a score of 16 or more correct answers. The mean score was 16 marks. **Questions 6 and 18** were straightforward with most candidates identifying the key. Two questions caused the candidates some difficulty (**Questions 8 and 10**) and there were two other questions (**Questions 5 and 13**) where more candidates chose a distractor than the key.

Comments on specific questions

Question 5

45 per cent of candidates opted for distractor **A** having adjusted for both the legal fees and the insurance. However, it is normal practice to capitalise legal fees and so the only adjustment required was for the insurance i.e., $\$53\,000 - \$4500 = \$48\,500$. The key **B** was chosen by 41 per cent of the candidates.

Question 8

Many candidates opted for distractors **B** and **C** and some opted for **A**. Those opting for **A** probably took the difference between items 1 and 2 but these errors have the same direction. Those opting for **C** calculated an adjustment based on adding items 1 and 2 plus the credit sale of \$150 and deducting the sales invoice of \$510. However, item 3 has no effect as the incorrect invoice value would be offset by a debit posting of the same amount. Thus, only items 1 and 2 are relevant and so their combined value is \$950 i.e., key **D**.

Question 10

Distractors **A**, **B** and **C** all contain the statement that bank reconciliation statements eliminate the risk of fraud in banking transactions. Whilst they may **reduce** the risk of fraud, such statements cannot completely eliminate it. Thus the key was **D**.

Question 13

Many candidates chose distractor **B**. The question relates to the sales ledger balances rather than the closing balance on the sales ledger control account. As a result, items 2 and 3 are irrelevant as they only affect the control account. Thus, the correct calculation is $\$42\ 650 + \$640 - \$500 = \$42\ 790$. The key was **D**.

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Paper 9706/13
Multiple Choice

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

Key messages

- With partnership questions, be clear about which items relate to the capital and current accounts particularly when making adjustments.
- Whether sales or purchases, questions involving control accounts often test the candidate's understanding about how and where items are posted, and the consequences of errors. Be alert for information that may not be relevant.
- Candidates should revise carefully their understanding of margin and mark-up.

General comments

Of the candidates who sat this examination, 55 per cent achieved a score of 18 or more correct answers. The mean score was 18 marks. **Questions 15, 18, 19, 25, 29 and 30** were straightforward with between 75 per cent and 88 per cent of the candidates identifying the key. One question caused the candidates some difficulty (**Question 16**). There were two other questions (**Questions 11 and 26**) where more candidates chose a particular distractor than the key. These questions are considered below.

Comments on specific questions

Question 11

Many candidates opted for distractor **C**. Posting a supplier credit note in error as an invoice in the purchase journal would simply be carried through into the control account as part of the invoice total. Preparing the

control account would not highlight any issue. Only with the third-party verification would a difference between Henry's account and the supplier's emerge. Thus, the key was **B**.

Question 16

Some candidates opted for distractor **C** or distractor **D**. The question stated that separate capital and current accounts were maintained. As a result, goods taken for own use as drawings would be accounted for in the current account. Distractor **C** includes the drawings in its calculation. Distractor **D** excludes the drawings but calculates the interest based on the closing balance. This is incorrect as a time-based approach should be used. Thus, the correct answer was $(\$20\ 000 \times 10\% \times 0.25) + (\$32\ 000 \times 10\% \times 0.75) = \2900 = key **B**.

Question 26

Many candidates opted for distractor **B**. Both distractor **B** and key **C** use a total cost of \$3320 for the 1000 muffins or \$3.32 per muffin. To derive a price of \$4.15 (distractor **B**), candidates have simply applied an uplift of 25 per cent to the cost. This is incorrect. To deliver a 25 per cent profit margin, the profit margin is one-third of the cost of sales. Thus, the uplift needs to be \$1.11 resulting in a price of \$4.43. The key was **C**.

ACCOUNTING

Paper 9706/21
AS Level Fundamentals of Accounting
21

Key messages

- Candidates should remember that the financial statements of a limited company must be presented in the accepted format. Labels such as gross profit, cost of sales, etc. should always be written in full, never abbreviated.
- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates cannot be given any credit.
- In written questions, candidates should make sure that they provide sufficient development in their responses. One or two-word answers will seldom suffice and this is particularly important when the command word in the task is 'assess'.
- When asked to present ledger accounts or journal entries correct account names are very important and failure to be accurate in this respect will result in lost marks.

General comments

While there were some strong scripts, there were also some scripts where candidates were not able to score marks due to the incorrect use of terminology.

Comments on specific questions

Question 1

This question concerned the completion of financial statements for a limited company.

- (a) Candidates were required to complete the statement of profit or loss. There were few fully complete responses with the most common errors being the calculation of the revenue where candidates did not adjust for the goods on sale or return, or make an appropriate adjustment to the cost of sales for these goods. Finance costs were also frequently calculated incorrectly and candidates also lost valuable marks through arithmetic errors.
- (b) Candidates were required to calculate the balance of the cash and cash equivalents. While there were few fully correct responses to this question many candidates were able to score marks on the basis of their own figures by demonstrating their understanding of the processes involved.
- (c) Candidates were required to prepare the equity and liabilities section of a statement of financial position. This was usually answered satisfactorily, but many candidates found it difficult to differentiate between non-current and current liabilities. There were also many examples of candidates not adjusting the retained earnings figure for the profit for the year calculated in (a).
- (d) The majority of candidates were not able to provide an appropriate assessment to the scenario and concentrated on stating the characteristics of debentures only without any relevant application.

Question 2

This question concerned the correction of errors and the preparation of a suspense account.

- (a) Candidates were required to prepare journal entries to correct given errors. This was **not** well answered with many candidates not identifying the correct account names where the corrections should be entered.
- (b) Candidates were required to prepare a suspense account from the journal entries in **part (a)**. As in (a) candidates were not using the correct account names and included extraneous items which resulted in their opening balance being incorrect.
- (c) Candidates were required to calculate revised balances for the control accounts. The majority of candidates were able to score the available marks here using the figures they had entered in their journal and suspense account. Candidates should always show workings when answering this type of task.

Question 3

This question was concerned with the preparation of ledger accounts relating to non-current assets, the treatment of loans in the statement of financial position and the differences between two methods of depreciation.

- (a) Candidates were required to complete two ledger accounts. While there were some very good responses here candidates lost valuable marks through the use of incorrect dates and details.
- (b) Candidates were required to calculate the outstanding balances on the loan and state how the loan would be shown in the statement of financial position. There were few fully correct responses to this question with many candidates not showing how the figures would appear in the correct sections of the statement of financial position.
- (c) Candidates were required to advise a business considering changing their method of charging depreciation. This was well answered by most candidates with good balanced assessments being provided.

Question 4

This question was concerned with absorption costing.

- (a) Candidates were required to define four terms regularly used in absorption costing. The responses were variable with many candidates scoring full marks but a number of candidates not able to define fully what each term meant or providing a superficial definition.
- (b) Candidates were required to apportion service centre costs to production departments. Overall, this was well answered with the most common error being in the treatment of light and heat. While there were few fully correct responses to this question many candidates were able to score marks on the basis of their own figures by demonstrating their understanding of the processes involved.
- (c) Candidates were required to calculate overhead absorption rates based on their responses to (b). The most common error here was not including the basis of the rate, i.e. machine hour or labour hour.
- (d) Candidates were required to calculate the over or under absorption of overheads using their data from previous tasks. The majority of candidates were able to complete this task satisfactorily and were awarded marks for their method used on the own figure basis.
- (e) Candidates were required to calculate the budgeted hourly direct rate for labour and then use that to prepare a statement showing the selling price to be quoted to a customer. The majority of candidates were able to score some marks here with well-prepared candidates being awarded full marks for the correct quoted price which is pleasing. The most common error was in the calculation of the profit on the job where candidates used the incorrect method to arrive at their figure.

(f) Candidates were required to advise a business on whether to accept an order from a client based on different terms. There were some very good responses here with candidates providing a balanced argument between financial and non-financial factors. Candidates are reminded that it is important to always include a conclusion in their responses to this type of question.

ACCOUNTING

Paper 9706/22
AS Level Fundamentals of Accounting
22

Key messages

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates may not get credit for workings.
- In written questions, candidates should make sure that they provide sufficient development to their answers. One, or two-word answers will seldom suffice.
- All financial statements must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full, never abbreviated.
- Candidates must learn the acceptable formats for both financial statements and management accounting statements such as marginal costing statements.

General comments

Many candidates performed well on this paper. Well-prepared candidates presented financial statements appropriately and provided strong and convincing responses on written questions.

Candidates should take note of comments on **Question 1** regarding the labels in financial statements. These need to be based on up-to-date acceptable terminology. Management accounting reports should also be clearly presented.

Comments on specific questions

Question 1

The question concentrated on the preparation of accounts for a sole trader.

(a) Required candidates to prepare the statement of profit or loss for the trader having first made adjustment for various issues not yet accounted for. Many candidates performed very well on this task. Common errors were a failure to correctly account for the depreciation charge for the year and incorrect calculation of the interest charge for the year. Candidates must continue to be aware of appropriate labels for items on any financial statements – neither abbreviations nor old terminology will be acceptable. Candidates who gained the highest marks tended to be those who made full use of the space to display their workings.

(b) Required candidates to explain, with reference to an accounting concept, why adjustments were made to three figures in the statement of profit or loss.

Goods for own use - Most candidates correctly identified the business entity concept and provided a good explanation.

Irrecoverable debt - Most candidates correctly identified the prudence concept with a good explanation.

Motor insurance- Again, most candidates offered the matching/accruals concept though some explanations were insufficiently focused to be awarded any marks.

(c) Told that the trader wished to raise funds to purchase larger premises, candidates were required to advise whether a bank loan or forming a partnership with his brother was the best option. This task was very well answered with most candidates were able to offer advantages and disadvantages of each option and provide valid advice to the trader.

Question 2

The second question focused on accounting ratios.

(a) Candidates were provided with a list of data extracted from the financial statements and were required to calculate the trade receivables turnover (days) showing the formula used. The majority correctly identified the formula, but calculation of the turnover days was often not correctly rounded up.

(b) Candidates were asked to explain the difference between gross profit margin and mark-up. Explanations were good, though several simply quoted the formula which does not constitute an explanation and the response was not rewarded.

(c) (i) Asked to state the formula for the rate of inventory turnover (days). This was very well answered for one mark.

(ii) Candidates were required to calculate the value of closing inventory at the end of the year. Some candidates were unable to apply the formula in the previous task. Many were able to calculate the cost of sales but were unable to take their answer any further.

(d) Candidates were required to calculate the return on capital employed (ROCE) and show the formula used. This task was not well answered with many candidates unable to correctly identify the formula. As a result, most were then unable to correctly calculate the profit from operations and the capital employed. Some of the better prepared candidates dropped the final mark by incorrectly rounding their final answer.

(e) Stating three limitations of accounting ratios produced a variety of incorrect answers with size, location, need for experts etc. being the most popular wrong answers.

Question 3

The question focused on the financial statements of a limited company.

(a) Candidates were required to calculate the revised profit for the year to take account of three errors in the draft statement of profit or loss. Only a very small proportion of candidates were able to gain full marks, and many seemed to struggle with this task. Many demonstrated a lack of detailed double entry skills by entering incorrect signage for their adjustments. The adjustment of closing inventory was often correct but little else.

(b) Calculation of the value of the opening share capital caused problems for many candidates with a majority even failing to pick up marks for their workings.

(c) Required candidates to prepare the statement of changes in equity. Results were very mixed. Whilst some candidates did not attempt the question, those who did gained marks and there were a number of totally correct answers from well-prepared candidates.

Question 4

The final question concentrated on cost and management accounting. It focused primarily on marginal costing with the final three tasks focused on cost-volume-profit analysis and the differences between marginal costing and absorption costing.

(a) (i) The first task asked candidates to calculate the budgeted contribution per unit from given data for a product. This produced a mixed response with some totally correct but many provided answers of \$93.75 or \$96 for either one or two of the available three marks.

- (ii) Required candidates to calculate the budgeted fixed costs for the year. This again produced mixed responses. Whilst there were some correct answers, others failed to grasp the methodology of the calculation.
- (iii) Candidates were asked to calculate the budgeted margin of safety in units. Candidates who knew the formula were able to gain both of the available marks. Some candidates did not gain the final mark due to incorrect rounding of their final answer.

(b) Candidates were required to prepare a marginal cost statement for the year. Most candidates were able to produce a recognisable marginal cost statement clearly differentiating between variable and fixed costs and identifying the contribution for the year. The main error in the statements related to calculation of the sales commission.

(c) Candidates were informed that the trader planned to make changes to increase production and sales. Candidates were required to advise whether or not the trader should go ahead with the plans. Whilst many candidates wrote at length, they often failed to address the key issues in the proposal such as the effect on profitability and liquidity.

(d) Required candidates to explain one advantage of cost-volume-profit analysis. Many candidates did not answer this and the two questions that followed. Many of those who did, identified a relevant advantage but did not offer development of the point to gain any further marks.

(e) Candidates were asked to explain one reason why marginal costing is considered to be more useful for short term decision making than absorption costing. As in the case of the previous task, several candidates identified one reason but offered no explanation for the second mark.

(f) The final question required candidates to explain the effect of profit of using marginal costing rather than absorption costing. Once again, there were very few candidates gaining all two of the available marks. Several identified the different valuation of inventory being the cause but frequently did not offer sufficient development to gain more than one mark.

ACCOUNTING

Paper 9706/23
AS Level Fundamentals of Accounting
23

Key messages

- In written questions, candidates should make sure that they provide sufficient development to their answers. One or two-word answers will seldom suffice, and this is particularly important when the command word in the task is 'explain'.
- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, will not get any credit.
- All financial statements must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full, never abbreviated..
- When asked to present accounts, labels and dates are very important and failure to be accurate in this respect will result in lost marks. Abbreviations of labels are not acceptable.

General comments

There were several strong scripts in this examination series where well-prepared candidates scored high marks. Well-prepared candidates provided appropriate presentation of financial statements and covered a vast scope and content of the high tariff written questions.

Centres and candidates should take particular note of my comments in **Question 3** regarding the labels in double entry accounts which must be aligned the corresponding entry in the other double entry account. I look forward to continued improvement in future series.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

- (a) Candidates were required to calculate the carrying value of property at the year end. Most candidates were able to successfully account for the error in to gain two marks.
- (b) Required candidates to calculate the revised profit for the year taking account of various errors that had been made in preparing the draft statement of profit or loss. Some candidates did not make the correct adjustment for the loan interest and for depreciation. Most candidates answered this question well.
- (c) Having prepared the revised profit for the year, candidates were required to prepare the statement of financial position. Well-prepared candidates scored well on the question. However, several candidates had difficulty in making the necessary adjustments to the statement. Presentation was often weak with many still using old terminology in their statement.
- (d) Required candidates to state two factors other than wear and tear that may cause the value of plant and machinery to depreciate. Most candidates were able to gain both available marks.
- (e) Required candidates to state the formula for profit margin and the return on capital employed. Many candidates failed used old terminology and did not get credit. For example, when dealing with a limited company, net profit is not an acceptable term – it must be profit for the year.

(f) Asked candidates to advise the directors whether they should raise additional finance for acquiring additional plant and equipment by requesting a five-year bank loan or by leasing the asset. This was well attempted by well-prepared candidates with good points identified for both options. However, weaker responses lacked sufficient focus in identifying relevant factors and frequently offered no development of points raised. Most did offer valid advice based on their own comments.

Question 2

The second question focused on control accounts

(a) Required candidates to prepare the sales ledger control account from summarised data provided. Several candidates were able to gain seven of the available eight marks with only incorrect labels accounting for the dropped mark. Overall performance was good.

(b) Candidates were told that the closing balances of the purchases ledger control account did not agree with the individual balances in the purchases ledger. Five separate errors were identified, and candidates were required to correct the accounting records for the purchases ledger control account and for the purchases ledger balances. Candidates often struggled to choose the correct course of action for some of the errors demonstrating a lack of double entry skills.

Question 3

The question concentrated on the equity of a limited company.

(a) Data was provided of changes to the share capital of a limited company over the year – a new issue of shares, a bonus issue of shares, a rights issue of shares and a dividend paid. Candidates were required to prepare three ledger accounts – the share capital, the share premium and the retained earnings. The correct labels are an essential part of double entry bookkeeping, and most candidates failed to follow this rule, once again demonstrating a lack of double entry skills.

(b) Required candidates to state two features of a debenture. Most candidates were able to gain two marks for the task.

(c) Required candidates to state two features of ordinary shares. Whilst results were mixed due to lack of clarity, several candidates did gain both available marks.

Question 4

The cost and management accounting question focused principally on elements of marginal costing for a service business together with a written question on JIT.

(a) (i) Required candidates to calculate the total available chargeable hours for the year. Most candidates made a correct calculation.

(ii) Required candidates to calculate the break-even point in units. Whilst most candidates were clearly familiar with break-even analysis, many had difficulty in deciding which figures to use.

(iii) Required candidates to calculate the number of chargeable hours required to achieve a given target profit. Many candidates again found it difficult to ascertain which figures to use. However, well-prepared candidate did achieve all five of the available marks for these three tasks.

(b) Required candidates to prepare a budgeted marginal cost statement for the year. Most candidates were familiar with the structure of a marginal cost statement and were generally able to correctly identify and allocate variable and fixed costs.

(c) Data was provided of two options that the directors were considering improving performance of the under-performing department. Candidates were required to calculate the number of overtime hours required if option 1 was chosen. Results were once again mixed but several candidates did understand the methodology to gain the three available marks.

(d) Candidates were required to prepare a budgeted marginal cost statement if the directors chose option 1. The statements were once again well presented by many candidates though less prepared candidates often failed to recognise that the salaries were a fixed cost, not variable.

- (e) Candidates were required to calculate the contribution of the department if option 2 was chosen. Around one half of all candidates were rewarded with the one available mark for a correct answer.
- (f) This final main task asked candidates to advise the directors which option they should choose. Many strong responses dealt not only with the more obvious advantages of their chosen option but also explained the disadvantages that the directors should also consider. As required by the question, most candidates addressed both financial and non-financial factors. There were several good responses to this task though some tended to lack sufficient focus to earn more than two or three marks.
- (g) Candidates were required to state three limitations of cost-volume-profit analysis. Whilst some candidates were clearly unfamiliar with the term, those who attempted the question were generally rewarded with at least two of the available marks.

ACCOUNTING

Paper 9706/31
A Level Financial Accounting 31

General comments

Performance was acceptable with question one being the best answered question and question two the least well answered.

Comments on specific questions

Question 1

- (a) There were relatively few fully correct profit calculations. There were many errors arising in the period adjustments for depreciation and wages and salaries. A few candidates did not calculate the profit for both the six-month periods despite this requirement being highlighted in the question.
- (b) The appropriation accounts were generally prepared to a reasonable standard with most candidates adjusting their profit figures and distributing the residue in accordance with the profit-sharing ratios. Few candidates made the capital account adjustments for the second period. Consequently, there were few correct interest on capital postings for this period.
- (c) There were a limited number of correct calculations. Some candidates did not present their answer as a percentage to two decimal places, while some calculated the gross profit margin rather than the required profit margin.
- (d) Although a high number of candidates identified the difficulty in comparing due to the company being in a different industry, few addressed the audit report qualification.

Question 2

- (a) There were many correct calculations of the accumulated depreciation of Machine A. The most common error was the calculation of 2.5 years (\$22 500) rather than 3.5 years. There were considerably fewer correct calculations for Machine B with a range of errors.
- (b) The schedule of non-current assets was not well prepared. Very few candidates accounted correctly for the disposal and the depreciation charge for the year. Some candidates were able to enter the opening and closing carrying amounts and make the correct entries within the cost section of the schedule.
- (c) Few candidates named the required efficiency ratio. There were many incorrect responses including the net working assets to revenue ratio and the gearing ratio.
- (d) There were a significant number of correct calculations. Common errors included the incorrect treatment of the trade payables and the failure to express the ratio as a percentage.
- (e) The effect on the ratio was not well addressed with many candidates providing calculations which were not required. Likewise, the effect on the perceived performance of the company was not well answered. A significant number of candidates did not attempt the question.
- (f) Nearly all candidates provided the required decision but very few were able to give any valid points of justification.

Question 3

- (a) There were few explanations of a reason for the change in the rate of factory profit which were worthy of credit.
- (b) There were some fully correct provision accounts but also many which contained errors. Some candidates labelled the transfer to the statement of profit or loss incorrectly and some started with an incorrect opening balance.
- (c) (i) The statement of profit or loss was prepared to a reasonable standard with a few being fully correct. Common errors included the incorrect calculation of the transfer price and the incorrect adjustment of the administrative costs and/or distribution costs.
(ii) The statement of financial position was also prepared to a reasonable standard but there were very few fully correct statements. Common errors included the omission or incorrect treatment of the impairment loss, the omission of the accrued interest and the inclusion of the provision for unrealised profit within the current liability section.
- (d) Nearly all candidates gave a decision, but few were able to provide appropriate supporting comments with many merely considering whether the balance was too low without considering the dividends.

ACCOUNTING

Paper 9706/32
A Level Financial Accounting 32

General comments

Overall performance was satisfactory with question one being the best answered and question three the least well answered.

Comments on specific questions

Question 1

(a) (i) The preparation of the manufacturing account was well answered with some fully correct accounts being submitted. Most candidates accounted for the factory profit correctly, but some omitted carriage inwards. Appropriate labels were not used by some candidates.

(ii) The preparation of the statement of profit or loss was also well answered with a few fully correct statements being submitted. Common errors included the omission of factory profit and/or the decrease in provision for unrealised profit, the inclusion of carriage inwards and the use of an incorrect amount for the finance costs.

(b) This was not answered well with only few candidates providing a valid comment. Many answers referred to a disposal of machinery despite the question stating that there were no disposals of non-current assets during the year.

(c) There were a limited number of correct calculations, but a significant number of candidates did not attempt the question. A common error was the uplifting of the cost of raw materials or the production cost by 10 per cent rather than the transfer price.

(d) Most candidates gave the required advice, but only few candidates supported their decision with more than one valid point of justification.

Question 2

(a) Although most candidates accounted for the two adjustments very few derived the correct division of profit.

(b) (i) The capital accounts were generally well prepared with the goodwill being treated correctly by a high number of candidates. Common errors were the inclusion of current account items and the incorrect labelling of Nigel's capital introduction.

(ii) Most candidates accounted for the interest on capital correctly for the first period, but few were able to deduce the interest on capital for the second period. The share of profit for both periods was often incorrect due to the failure to deduct the interest on capital from the profit. Nearly all candidates were able to balance the accounts.

(c) Most candidates gave the required advice and many then did provide at least two supporting comments.

Question 3

(a) Performance on this question varied. Few candidates calculated all ratios correctly but a high number showed a lack of knowledge such that they were unable to calculate many ratios. Many

candidates apparently missed the fact that the nominal value of the shares was \$2. Only few candidates could calculate the gearing ratio for either year.

- (b)** Although most candidates did discuss some valid points the answers were generally superficial and many failed to address their comments in relation to each of the objectives.
- (c)** Despite being asked to suggest a solvency ratio many suggested a profitability, liquidity or efficiency ratio. Those who did give an appropriate ratio invariably did provide a reason.

ACCOUNTING

**Paper 9706/33
A Level Financial Accounting 33**

General comments

Performance was good throughout the paper with question one being the best answered question.

Comments on specific questions

Question 1

- (a)** Most candidates were able to explain the uncertainty of the goodwill valuation.
- (b)** A high number of candidates stated the correct partner. Most candidates were also able to give a valid reason for their choice.
- (c)** There were a high number of correct calculations with the most common error being the omission of the legal fees from the calculation.
- (d)** This was well answered with most candidates providing appropriate calculations and then giving relevant comments on the impact of the change to Betty.
- (e)** The preparation of the journal was well answered with some answers being fully correct. The most common error was the omission of the narrative which was a requirement.
- (f)** This was very well answered with nearly all candidates giving the required advice. Many candidates well balanced reasons for both keeping and selling the shares.

Question 2

- (a)** There were a high number of good explanations with no common errors.
- (b)** Again, explanations were generally fully acceptable.
- (c)** The preparation of the income and expenditure account was very well answered. A high number of fully correct accounts were submitted and there were no common errors.
- (d)** Most candidates made the calculations correctly with many also stating the correct section of the statement of financial position.
- (e)** Nearly all candidates gave the required advice with most providing some valid points to justify their answer.
- (f)** This was well answered with many candidates identifying that the annual donation of the nine jackets would create a surplus of jackets. Candidates also provided a range of other valid points.

Question 3

- (a)** The calculation was well answered with some candidates submitting the correct revised profit from operations. The most common errors were the incorrect calculation of the profit on disposal of the machine and/or the impairment loss following the review.

- (b)** Most candidates produced a statement of cash flows to a high standard with a few being fully correct. Presentation was generally very good. The most common error was the incorrect treatment of the profit on disposal.
- (c)** There were relatively few explanations which received both marks due to apparent confusion between the actual event and the conditions.
- (d)** A high number of candidates gave a complete explanation and were awarded both available marks.
- (e)** This was well answered with a high number of candidates able to state one correct reason and some could state two appropriate reasons.

ACCOUNTING

Paper 9706/41
A Level
Cost and Management Accounting

General comments

Overall performance was acceptable with question two being the best answered question.

Comments on specific questions

Question 1

- (a)** Although many candidates identified two advantages of preparing a budget, only a few developed their answers sufficiently to receive full credit.
- (b) (i)** Many candidates prepared the production budget correctly with the most common error being the incorrect calculation of the opening inventory.
- (ii)** The preparation of the purchases budget was not well answered with few fully correct budgets being submitted. Common errors included using the sales figures rather than the production figures which had been calculated and using a mixture of units, kilos and dollars.
- (c)** There were a limited number of fully correct trade receivables budgets, but the preparation of the budget was challenging for many candidates. The derivation of the opening balance and the receipts were invariably incorrect, and a few candidates processed their entries in the incorrect direction.
- (d)** Most candidates provided the required advice, and many considered both options and provided up to four valid points of justification but very few gave sufficient points to receive full marks.

Question 2

- (a)** There were a limited number of explanations which addressed the requirements of the question, but many candidates wrote about the internal rate of return without considering its use to make an investment decision.
- (b) (i)** The net present value calculation was well answered with a high number of fully correct calculations and no common errors.
- (ii)** Most candidates were able to apply the formula correctly and there were some fully correct calculations. The most common error was an arithmetical mistake often due to the incorrect signage of the denominator.
- (iii)** There were many correct calculations of the accounting rate of return and most candidates applied the formula correctly. The most common error was the failure to derive the average profit correctly.
- (c)** Most candidates provided the required advice, and many justified their decision with relevant comments which considered both machines comparatively.

ACCOUNTING

Paper 9706/42
A Level Cost and Management
Accounting 42

General comments

Overall performance was reasonable with **Question 2** being the best answered question.

Comments on specific questions

Question 1

- (a) Most candidates were only able to identify one reason, which invariably was the ability to compare actual to budget. Only few candidates developed their answer sufficiently to receive the second available mark for each reason.
- (b) There were some correct answers, but many candidates displayed a lack of understanding of the fixed overhead capacity variance.
- (c) The preparation of the flexible budget statement was generally well answered with some being fully correct. The most common error was the incorrect treatment of the fixed overhead.
- (d) The reconciliation statement was also well prepared with many fully correct answers. Presentation was generally good.
- (e) This was not well answered with many responses being too vague. Many candidates disregarded the requirement to refer to the two sub-variances and provided a generic answer.
- (f) Nearly all candidates gave the required advice and then many did provide relevant comments regarding both options.

Question 2

- (a) (i) This was well answered with some candidates making the calculation correctly. The most common error was the failure to add back the depreciation which resulted in discounting an incorrect cashflow.
- (ii) This was also well answered with some fully correct calculations. Most candidates demonstrated their knowledge of the formula, but some reversed the signage of the denominator. Generally, candidates who had derived the net present value correctly were also able to calculate the internal rate of return correctly.
- (iii) The calculation of the accounting rate of return was made correctly by a high number of candidates. The most common error was the incorrect derivation of the average profit. A few candidates failed to express their answer as a percentage.
- (b) Performance was variable with some very good answers but also some who disregarded the requirement to support their answer with calculations.
- (c) Nearly all candidates gave the required advice and most did provide relevant points of justification which did consider both options.

ACCOUNTING

Paper 9706/43
A Level Cost and Management
Accounting 43

General comments

Performance was very good with question one being marginally the better answered question.

Comments on specific questions

Question 1

- (a) Although some responses were vague, most candidates demonstrated their knowledge of a master budget.
- (b) The cash budget was prepared to a high standard with many fully correct budgets being submitted. Nearly all candidates derived the receipts correctly and the most common error was the incorrect treatment of the payments to the suppliers.
- (c) Most candidates added \$80 000 to their monthly deficits with the consequent award of both available marks and there were no common errors.
- (d) This was well answered and nearly all candidates gave the required advice and most provided some balanced valid points of justification.

Question 2

- (a) A high number of candidates calculated the price of the two products correctly. The most common error was the miscalculation of the production overheads.
- (b) Although many candidates stated two disadvantages relatively fewer could state two advantages.
- (c) This was well answered with many fully correct calculations. Some candidates went beyond the cost and calculated the selling price which was not required.
- (d) (i) There were a limited number of correct calculations. Some candidates calculated the revised mark-up but then did not calculate the percentage change from 40 per cent.
(ii) This was not well answered with only a few candidates being awarded both marks. Many explanations failed to relate the fact that the selling price remained the same.
- (e) Nearly all candidates gave the required advice and most justified their answer with some relevant comments.