

# ACCOUNTING

Paper 9706/11  
AS Level Multiple Choice

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

## Key messages

- When dealing with correction of errors in control account postings or calculation of revised profit, think carefully about what has taken place and, hence, in what direction adjustments are required, as well as whether amounts might need to be doubled to achieve the corrected balance/profit.
- Take time to read all options carefully to ensure that the selected option completely fulfils the question requirements and, therefore, that all other options can be properly disregarded.

## General comments

The mean score was 10 marks, with 37 per cent of candidates achieving a score of 10 or more correct answers. **Question 1** was straightforward with 75 per cent of candidates identifying the key. Candidates found **questions 2, 4, 11, 12, and 17** difficult. These questions are considered below.

## Comments on specific questions

### **Question 2**

About 60 per cent of candidates selected distractor **C**, which incorrectly included profit and drawings in addition to assets and liabilities when calculating the closing balance on the owner's capital account. The key was **B**.

#### Question 4

Many more candidates selected distractor **B** than the key, which was **A**. The question was about capital expenditure. Candidates saw reference to legal fees in distractor **B**; however this was in relation to a tenancy agreement and not a non-current asset.

#### Question 11

Some candidates opted for distractor **B** and distractor **D** instead of the key **C**. Candidates who selected distractor **B** treated refunds from credit suppliers as a debit entry in the control account and also did not realise that an incorrect posting of discounts received needed to be doubled in order to correct the error.

#### Question 12

Few candidates correctly selected the key, which was **D**. Many candidates opted for distractors **A** and **C**. Distractor **A** meant that candidates did not understand that the treatment of sales returns and purchases returns would have no overall impact on profit. Candidates who selected distractor **C** did not realise that the discounts received needed to be doubled to correct the error.

#### Question 17

This question caused some difficulty, with only 21 per cent of candidates identifying the key (**B**). Candidates selecting distractor **A** possibly did not read the information about separate capital and current accounts being held, and candidates who selected distractor **C** did not understand the treatment of interest on capital in the appropriation account.

# ACCOUNTING

**Paper 9706/12**  
**AS Level Multiple Choice**

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

## Key messages

- When dealing with bank reconciliations, pay close attention to which items need adjusting and which are already shown in the cash book, and those which will only be shown on the bank statement.
- When considering selling price and cost of items, take care to be clear about the difference between mark-up and gross profit margin.
- Revise and understand the components of commonly used ratios.

## General comments

Of the candidates who sat this examination, almost 50 per cent achieved a score of 16 or more correct answers. The mean score was 16 marks. **Questions 1, 6 and 10** were straightforward with almost 80 per cent of candidates identifying the keys. **Questions 5, 11, 16, 22 and 24** caused candidates some difficulty. These questions are considered below.

## Comments on specific questions

### **Question 5**

Only 30 per cent of candidates correctly selected the key, which was **A**. Some candidates opted for either distractor **C** or **D**. Candidates selecting distractor **C** overlooked the cost of wiring in the new extension. Distractor **D** covered the incorrect treatment of the initial purchase cost of machinery.

### Question 11

One-third of candidates selected distractor **B**, which was the adjusted debit balance in the business cash book, rather than the credit balance shown on the bank statement at the end of the month. A further 25 per cent of candidates opted for distractor **A**, deducting the unpresented payment from the cash book balance, rather than adding it to arrive at the bank statement balance. The key, **C**, was chosen by around 40 per cent of candidates.

### Question 16

The key, **A**, was selected by one-third per cent of candidates. 25 per cent of candidates opted for distractor **B**, incorrectly using margin rather than mark-up to adjust for the drawings error. A further 25 per cent of candidates selected distractor **C**, incorrectly increasing profit by the drawings error.

### Question 22

The key, which was **D**, was selected by 35 per cent of candidates. A similar number opted for distractor **C**, incorrectly using profit for the year rather than profit from operations as the numerator in the ROCE calculation (i.e., they did not adjust the profit for the year figure for the finance costs).

### Question 24

Many more candidates opted for distractor **B**, than for the key, which was **C**. Distractor **B** did not account for the increase in fixed costs from June to July.

# ACCOUNTING

**Paper 9706/13**  
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4	A	14	C	24	C
5	D	15	D	25	A
6	C	16	D	26	C
7	B	17	B	27	D
8	D	18	A	28	D
9	A	19	B	29	A
10	B	20	B	30	C

## Key messages

- When dealing with bank reconciliations, pay close attention to which items will need adjusting in the cash book, and which will not.
- When calculating revised profit, think carefully about what has taken place and, hence, whether an adjustment to the draft profit figure is, in fact, necessary for every item.
- Revise the standard entries to be expected in control accounts.

## General comments

Of the candidates who sat this examination, 50 per cent achieved a score of 17 or more correct answers. The mean score was 17 marks. **Question 10** and **16** were straightforward with more than 75 per cent of candidates identifying the key. **Question 9** and **11** were more challenging and there were 3 other questions (**Question 2**, **Question 8** and **Question 12**) where more candidates chose a distractor rather than the key.

## Comments on specific questions

### **Question 2**

About 43 per cent of candidates selected distractor **C**, which incorrectly included profit and drawings in addition to assets and liabilities when calculating the closing balance on the owner's capital account. The key was **B**.

**Question 8**

This question required a careful reading of the options to identify which items would not be updated in the cash book, rather than those which may possibly be reconciling items when preparing the bank reconciliation statement. Almost 50 per cent candidates opted for distractors rather than the key, which was **D**.

**Question 9**

One-third of candidates opted for distractor **C**, which incorrectly added unpresented cheques and deducted uncredited lodgements from the cash book balance.

**Question 11**

Almost 50 per cent of candidates opted for distractor **A** rather than the key, **C**. Distractor **A** incorrectly treated refunds from credit suppliers as a debit entry in the control account.

**Question 12**

Almost 30 per cent of candidates chose distractor **A**, overlooking the fact that the treatment of sales returns and purchases returns would have no overall impact on profit.

# ACCOUNTING

**Paper 9706/21**  
**AS Fundamentals of Accounting**

## Key messages

- 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 and never abbreviated.
- 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.
- 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.
- Appropriate layouts are needed for management accounting statements with clear labels which identify figures such as the total cost, profit and selling price.

## General comments

There was a wide range of responses across the paper. Some candidates performed very well, showing clear understanding and sound application of accounting principles. Others displayed weaker knowledge of the specification and struggled with explanations, terminology, and applying techniques to different contexts. Calculation questions were generally better attempted than written tasks, where incomplete reasoning led to lost marks.

## Comments on specific questions

### **Question 1**

This question concerned the completion of financial statements for a sole trader.

**(a)** Candidates were required to prepare a statement of profit or loss with supporting workings. There were a range of responses with very few fully correct answers. Common errors related to the treatment of the allowance for irrecoverable debts. Although many correctly calculated the decrease in the allowance, they either misclassified it under 'other income' without labelling it appropriately as 'Decrease in allowance for irrecoverable debts' or failed to accurately calculate the required percentage for the new allowance, leading to an incorrect adjustment figure.

The loss on disposal was often incorrect as candidates found it difficult to calculate the accumulated depreciation on the asset sold.

Often candidates arrived at electricity expense by adding one adjustment and subtracting the other adjustment, when both adjustments required to be subtracted.

**(b)** This task required candidates to prepare the asset section of the statement of financial position. The most common error was the failure to show trade receivables net of the allowance for irrecoverable debts, with several candidates presenting only the gross amount. Additionally, a frequent mistake involved misclassifying other receivables as prepayments, indicating confusion between different types of current assets.

**(c) (i)** Candidates were asked to explain the accounting concept applied when maintaining an allowance for irrecoverable debts. Many candidates did identify the prudence concept and were able to explain how it is applied.

(ii) Candidates were asked to identify and explain the accounting concept applied when the same depreciation method is used for each class of non-current asset. While many correctly identified the consistency concept, several failed to explain that it allows for comparison of financial results across accounting periods.

(d) This task required candidates to advise the sole trader on the most suitable option for relocating his business. Most candidates discussed both options well, with many recognizing that:

- Option A would generate rental income and avoid the risks of a large capital outlay or loan, while.
- Option B would provide ownership of the new premises but involve selling an asset and taking on debt.

However, weaker responses merely repeated details from the question without evaluation. Stronger candidates provided a clear recommendation supported by financial and non-financial factors, such as long-term costs, asset ownership, cash flow impact, and business flexibility.

## Question 2

This question was concerned with limited companies and a share issue.

(a) Candidates were asked to explain two benefits of trading as a limited liability company rather than as a partnership. Most candidates correctly identified limited liability and greater access to finance through share issues as key advantages. These were commonly stated and generally well explained. However, some candidates lost marks due to lack of development of their answer.

(b) Candidates were asked to calculate the amount received from the issue of 200 000 shares. A minority of candidates answered correctly by using the full issue price of \$2.40 per share. However, many incorrectly used only the share price giving them \$400 000, or the share premium only giving them \$80 000 leading to an understated figure. This highlights a misunderstanding of how share capital and share premium together form the total proceeds from a share issue.

(c) Candidates were required to calculate the total interim dividend paid. Very few achieved full marks. A common error was the failure to correctly multiply 600 000, the correct number of shares in issue, by \$0.05. However, many usually achieved the own figure mark for correctly using the \$0.05 in their answer.

(d) This task required candidates to calculate the profit from operations using the given profit for the year. While many correctly adjusted for interest on debentures, common errors were:

- The treatment of tax, instead of using the full tax charge of \$22 000, many incorrectly calculated the tax as the difference between opening and closing tax balances (\$8000)
- And the interest on the loan using a full year's interest rather than 3 months.

(e) Candidates were asked to prepare the retained earnings account. While many candidates entered the correct amounts on the appropriate sides, a common error was the failure to use correct account names as descriptions of transactions were used instead, i.e. dividend for 'Bank' and profit for the year for 'Statement of profit or loss'.

## Question 3

This question was concerned with ratios and their interpretation.

(a) Candidates were required to write the formulas for gross profit margin and profit margin. Most responses were correct. However, some candidates incorrectly used the term 'net profit' instead of the correct 'profit for the year' in the profit margin formula, resulting in a loss of marks. This highlights the importance of using precise terminology in ratio definitions.

(b) This question required an explanation of two reasons for an increase in gross profit margin when comparing two years. While many candidates correctly identified a reduction in cost of sales, a frequent misconception was stating 'increase in sales' as the second reason. The correct response should have been an increase in selling price, highlighting a gap in understanding of what directly impacts the gross profit margin rather than total revenue.

(c) Candidates were required to give two reasons for a decrease in profit margin over two years. Many correctly identified an increase in expenses. However, many gave examples of two different expenses increasing rather than stating a decrease in other income, resulting in the loss of the second mark.

(d) Candidates were asked to evaluate the owner's view on his business's liquidity by analysing two ratios. Performance varied significantly. Some achieved full marks comparing the improvement in the current ratio and the deterioration in the acid test ratio and providing clear justifications. However, some candidates only stated whether the ratios had increased or decreased without explaining the implications for liquidity, resulting in lost marks.

(e) This question required candidates to explain two reasons why comparing a business with others might be challenging. Most candidates recognised that differences in accounting policies or methods can lead to inconsistent comparisons. Additionally, many noted that financial ratios do not account for non-financial factors, which can affect the validity of comparisons. Some candidates failed to explain the impact of comparability.

#### Question 4

This question was concerned with absorption costing.

(a) (i) The task required an explanation of what a cost centre is and was generally well done.

(ii) This question asked candidates to explain the term fixed cost. It was generally well answered, with many candidates correctly identifying that fixed costs remain unchanged regardless of the level of output within a relevant range.

(iii) This question required an explanation of indirect labour. Most candidates answered this accurately, clearly distinguishing it from direct labour by referring to support roles not directly involved in production.

(b) Candidates were asked to prepare a table showing total overheads for each department, including the reapportionment of service department overheads. This task was generally well done, with many candidates completing the table accurately and applying the correct basis of reapportionment.

(c) Candidates were required to calculate the overhead absorption rate for each production department using a suitable basis. While many applied the correct method, a number of candidates lost marks due to incorrect rounding, or failing to state the key terms per machine hour or per labour hour.

(d) Candidates were asked to state reasons for under-absorption of overheads. While some gave accurate responses, many mistakenly stated the opposite of the correct situation that actual overheads were more than budget and actual production was less than budget.

(e) This task required candidates to calculate the amount saved per unit by employing experienced labour at a higher rate. A significant number of candidates struggled with the correct approach, often misapplying the figures or failing to consider the impact of increased efficiency on unit cost, resulting in incorrect answers.

(f) Candidates were required to prepare a statement showing the total selling price for a customer's order of 300 units. Around half the candidates completed this accurately, either by calculating the unit selling price first and multiplying by 300, or by applying all calculations directly to the 300 units.

However, a common error was in the application of the profit margin. Instead of applying a 50 per cent markup many candidates incorrectly used 60 per cent leading to an incorrect profit figure.

(g) The final task asked candidates to advise the owner on whether to use marginal costing instead of absorption costing. Most candidates were able to outline reasonable advantages and disadvantages of both costing methods. Stronger responses included a clear recommendation supported by sound financial and operational reasoning.

# ACCOUNTING

**Paper 9706/22**  
**AS Fundamentals of Accounting**

## Key messages

- All financial statements must be presented in the acceptable 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.
- Workings should be shown in the appropriate areas provided.
- Unless the command word is 'calculate' appropriate layouts and labels are essential.

## General comments

There were a range of marks awarded and some good scripts which gained high marks. Up-to-date terminology as used in the syllabus must be used throughout. In the evaluation questions, a final recommendation must be reached which is one of the options in the question and not an alternative idea of the candidate.

## Comments on specific questions

### **Question 1**

The question concentrated on financial statements for a limited company.

(a) (i) Candidates needed to perform a depreciation calculation. A good start with most candidates calculating correctly the annual depreciation charge on motor vehicles. Some candidates calculated it using the straight-line method when the information clearly indicated that motor vehicles were depreciated using reducing balance method.

(ii) In comparison, the computation of the depreciation per annum on furniture and fittings proved to be challenging for some. Some candidates miscalculated it as \$6750. Occasionally, the half year depreciation on the disposal was not included.

(b) Candidates were required to calculate profit or loss on disposal of equipment. Most candidates were able to ascertain the correct loss on the disposal of equipment. Some miscalculated the aggregate depreciation and consequently the carrying value and arrived at their own loss/profit. Some referred to their loss as profit.

(c) The preparation of the statement of profit or loss was attempted with varying degrees of success and the marks ranged from 0–12. Some candidates did not use appropriate formats or prepared it for internal rather than publication use and listed all the individual expenses. Common errors were to treat sales staff wages and salaries and marketing costs as part of administrative expenses, miscalculate the marketing costs and finance costs as \$4000, record rental income before expenses and to overlook the loss on sale of fixtures from part (b) in administrative expenses. The profit for the year was often described as profit, net profit, profit after tax etc, so did not get the credit. Many candidates seemed unaware of the formal nature of this statement and used abbreviations in poorly presented responses.

(d) Overall, candidates produced the statement of changes in equity to a high standard and scored more than 5 marks. Only some had difficulty in determining the correct value of the rights issue, adjusted the revaluation reserve by \$150 000 or \$820 000 for the property revaluation. Some

candidates did not treat the total column correctly or missed out completing it at all. Few candidates used a running balance approach which was incorrect or did not treat the component items correctly.

(e) This task was to advise the directors whether to make a rights issue or issue an 8 per cent debenture. Many candidates had a firm knowledge of rights issue and debentures and this was reflected in their strong responses. They made 4 to 6 valid points and included a recommendation. Only a few of them made irrelevant comments. Many thought that dividends had to be paid and were not discretionary and that a rights issue would dilute ownership. Mirror points such as shares have no interest and debentures do have interest are only awarded 1 mark.

## Question 2

The question focused on the correction of errors and the impact on profit for the year.

(a) Required candidates to correct 5 errors using journal entries. Overall, candidates found this task difficult. Some candidates made reversed entries to rectify error 2, credited Virat or Inventory account to correct error 3. Many had difficulty with error 4 and debited 'discount received' account or/and credited 'suspense account' and used only \$18. In error 5, they used incorrect accounts such as Abdul, irrecoverable debts and suspense to rectify the error. It was particularly noticeable that many candidates were unfamiliar with how to record the recovery of an irrecoverable debt.

(b) Candidates needed to correct the draft profit for the year using part (a). Only some candidates identified the appropriate errors which affected the profit for the year. Others relied on guesswork and added the credit note of \$170 and deducted \$330 for drawings of goods.

(c) Finally, candidates were required to explain why an error of principle would have no effect on the agreement of trial balance totals. Although a substantial number of candidates were able to state that an error of principle results in an entry being made in the wrong class of account, many considered that, since the amount used was correct, the trial balance would not be affected, missing the point that the key factor was that there was a matching debit and credit entry.

## Question 3

The question focused on incomplete records and ways in which credit control can be improved and security of data can be ensured.

(a) Candidates were required to calculate revenue. Many candidates were able to calculate the correct cost of sales, but only some applied the gross profit margin of 40 per cent to their cost of sales correctly and arrived at the correct revenue. Others added the increase in inventory to purchases and miscalculated revenue.

(b) Using their answer from part (a) candidates then needed to calculate the amount owed by credit customers. Most candidates treated the opening balance of trade receivables correctly and calculated their own figure value of credit sales. However, most miscalculated discount allowed incorrectly as \$969.

(c) Ways to improve credit control other than allowing a cash discount was required. Strong candidates were able to identify acceptable methods such as send reminders, stop supplies, etc and scored half marks. Marks were lost for referring to 'offer only cash sales' or 'stop credit sales'.

(d) The requirement was to state two benefits of improving credit control. Many candidates scored full marks mainly for improved cash flow and a reduction in irrecoverable debts.

(e) Finally, three ways in which security of data can be ensured within a computerised accounting system was asked. Candidates' responses reflected their firm knowledge of data protection. There was a minority of candidates who misunderstood the question and wrote about the benefits of computerised accounting rather than the security issues.

#### Question 4

The final question focused primarily on marginal costing.

(a) (i) A definition of contribution was required. Some candidates stated that contribution contributed towards fixed costs which was insufficient to be rewarded. Some also referred to direct costs instead of variable costs.

(ii) A definition of fixed costs was required. Most candidates provided suitable definitions. It was important to link the definition to the level of output or production.

(iii) Finally, most candidates could define the margin of safety although weaker ones referred to the area above the break-even point instead.

(b) (i) Many candidates used the correct formula to calculate the break-even units and gained at least 2 marks. However, a lot of them failed to round up their units and lost 1 mark. A few miscalculated the break-even units as 0.54 units, as they did not convert the fixed cost per unit of \$6 to total fixed costs.

(ii) The margin of safety was generally calculated correctly.

(c) Candidates were able to determine the amount of monthly excess of the target profit. However, some used the incorrect approach and arrived at \$7709 ( $\$49\ 800 + \$35\ 000 / \$11$ ).

(d) Required candidates to prepare a marginal costing statement for Option A, continuing with both products Exe and Wye to show the total monthly profit. Generally, the responses were of a good standard and scored 5/6 marks. However, the format used was inappropriate at times as workings were shown without labels and used abbreviations such as SP, DM, etc. Often contribution calculations were missing labels. Some candidates deducted fixed costs of \$126 000 from both the contributions of products Exe and Wye and used 14 000 units to calculate the revenue and variable costs for Exe. A final profit figure was needed, not two separate ones.

(e) Candidates then had to calculate the total profit if Option B was chosen which involved continuing with the production of product Exe but then stopping production of product Wye and buying it in from an overseas supplier. Marks were lost for miscalculating revenue as \$560 000, the incorrect direct materials and/or direct labour costs for product Exe, overlooking the contribution of product Wye or treating it as a cost, omitting retraining costs of \$5000 and adding the value of machinery written off of \$23 000 to the fixed costs.

(f) Finally, candidates were asked to advise the directors which option they should choose by discussing both financial and non-financial factors for each option. Most candidates made valid points, included a decision and scored 4–7 marks. Only some replicated the information from the question and did not further develop their arguments. A lot focused on contribution rather than profit. Many candidates referred to the problems that could arise from buying-in one of their products, highlighting issues of reliability, quality, exchange rates and, in a few cases, tariffs. In many strong answers, candidates identified the fact that after the first month, costs would be reduced significantly, as some fixed costs only applied to the first month.

# ACCOUNTING

**Paper 9706/23**  
**AS Fundamentals of Accounting**

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- 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.
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## General comments

There was a wide range of responses across the paper. Some candidates performed very well, showing clear understanding and sound application of accounting principles. Others displayed weaker knowledge of the specification and struggled with explanations, terminology, and applying techniques to different contexts. Calculation questions were generally better attempted than written tasks, where incomplete reasoning led to lost marks.

## Comments on specific questions

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**(a)** Candidates were required to prepare a statement of profit or loss with supporting workings. There were a range of responses with very few fully correct answers. Common errors related to the treatment of the allowance for irrecoverable debts. Although many correctly calculated the decrease in the allowance, they either misclassified it under 'other income' without labelling it appropriately as 'Decrease in allowance for irrecoverable debts' or failed to accurately calculate the required percentage for the new allowance, leading to an incorrect adjustment figure.

The loss on disposal was often incorrect as candidates found it difficult to calculate the accumulated depreciation on the asset sold.

Often candidates arrived at electricity expense by adding one adjustment and subtracting the other adjustment, when both adjustments required to be subtracted.

**(b)** This task required candidates to prepare the asset section of the statement of financial position. The most common error was the failure to show trade receivables net of the allowance for irrecoverable debts, with several candidates presenting only the gross amount. Additionally, a frequent mistake involved misclassifying other receivables as prepayments, indicating confusion between different types of current assets.

**(c) (i)** Candidates were asked to explain the accounting concept applied when maintaining an allowance for irrecoverable debts. Many candidates did identify the prudence concept and were able to explain how it is applied.

(ii) Candidates were asked to identify and explain the accounting concept applied when the same depreciation method is used for each class of non-current asset. While many correctly identified the consistency concept, several failed to explain that it allows for comparison of financial results across accounting periods.

(d) This task required candidates to advise the sole trader on the most suitable option for relocating his business. Most candidates discussed both options well, with many recognizing that:

- Option A would generate rental income and avoid the risks of a large capital outlay or loan, while.
- Option B would provide ownership of the new premises but involve selling an asset and taking on debt.

However, weaker responses merely repeated details from the question without evaluation. Stronger candidates provided a clear recommendation supported by financial and non-financial factors, such as long-term costs, asset ownership, cash flow impact, and business flexibility.

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(a) Candidates were asked to explain two benefits of trading as a limited liability company rather than as a partnership. Most candidates correctly identified limited liability and greater access to finance through share issues as key advantages. These were commonly stated and generally well explained. However, some candidates lost marks due to lack of development of their answer.

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(d) This task required candidates to calculate the profit from operations using the given profit for the year. While many correctly adjusted for interest on debentures, common errors were:

- The treatment of tax, instead of using the full tax charge of \$22 000, many incorrectly calculated the tax as the difference between opening and closing tax balances (\$8000)
- And the interest on the loan using a full year's interest rather than 3 months.

(e) Candidates were asked to prepare the retained earnings account. While many candidates entered the correct amounts on the appropriate sides, a common error was the failure to use correct account names as descriptions of transactions were used instead, i.e. dividend for 'Bank' and profit for the year for 'Statement of profit or loss'.

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(b) This question required an explanation of two reasons for an increase in gross profit margin when comparing two years. While many candidates correctly identified a reduction in cost of sales, a frequent misconception was stating 'increase in sales' as the second reason. The correct response should have been an increase in selling price, highlighting a gap in understanding of what directly impacts the gross profit margin rather than total revenue.

(c) Candidates were required to give two reasons for a decrease in profit margin over two years. Many correctly identified an increase in expenses. However, many gave examples of two different expenses increasing rather than stating a decrease in other income, resulting in the loss of the second mark.

(d) Candidates were asked to evaluate the owner's view on his business's liquidity by analysing two ratios. Performance varied significantly. Some achieved full marks comparing the improvement in the current ratio and the deterioration in the acid test ratio and providing clear justifications. However, some candidates only stated whether the ratios had increased or decreased without explaining the implications for liquidity, resulting in lost marks.

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(ii) This question asked candidates to explain the term fixed cost. It was generally well answered, with many candidates correctly identifying that fixed costs remain unchanged regardless of the level of output within a relevant range.

(iii) This question required an explanation of indirect labour. Most candidates answered this accurately, clearly distinguishing it from direct labour by referring to support roles not directly involved in production.

(b) Candidates were asked to prepare a table showing total overheads for each department, including the reapportionment of service department overheads. This task was generally well done, with many candidates completing the table accurately and applying the correct basis of reapportionment.

(c) Candidates were required to calculate the overhead absorption rate for each production department using a suitable basis. While many applied the correct method, a number of candidates lost marks due to incorrect rounding, or failing to state the key terms per machine hour or per labour hour.

(d) Candidates were asked to state reasons for under-absorption of overheads. While some gave accurate responses, many mistakenly stated the opposite of the correct situation that actual overheads were more than budget and actual production was less than budget.

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However, a common error was in the application of the profit margin. Instead of applying a 50 per cent markup many candidates incorrectly used 60 per cent leading to an incorrect profit figure.

(g) The final task asked candidates to advise the owner on whether to use marginal costing instead of absorption costing. Most candidates were able to outline reasonable advantages and disadvantages of both costing methods. Stronger responses included a clear recommendation supported by sound financial and operational reasoning.

# ACCOUNTING

**Paper 9706/31**  
**A Level Financial Accounting**

## General comments

Overall performance was satisfactory with question one being the best answered question.

## Comments on specific questions

### **Question 1**

- (a) Although most candidates identified the accruals/matching concept, very few developed their answer in context of the club and consequently most answers were generic.
- (b) A very high number of candidates calculated the profit from the vending machine correctly with the most common error being the incorrect calculation of the purchases of soft drinks.
- (c) The income and expenditure account was also prepared to a high standard with some fully correct accounts. Presentation and layout of the statement was generally acceptable. The most common errors were the incorrect derivation of life membership, and the incorrect calculation of the depreciation on club equipment.
- (d) The preparation of the statement to show the changes in the accumulated fund was less well answered. Few candidates derived the opening balance correctly usually due to the omission of one or more of the components. Most candidates did add their surplus for the year, but some added other items before deriving the closing balance in the accumulated fund.
- (e) Most candidates provided the required advice, and many gave some valid points of justification. Responses were generally well presented and balanced, but few were sufficiently developed to receive maximum credit.

### **Question 2**

- (a) The statement of changes in equity was well prepared with a significant number of fully correct statements. The most common error was the incorrect treatment of the dividend(s).
- (b) There were many correct calculations of the return on capital employed. The most common error was the failure to add back the interest on the debentures to the profit for the year, resulting in an incorrect numerator.
- (c) The gearing ratios for both years were calculated correctly by many candidates with no common errors. A few candidates did not give their answer to two decimal places. The comments on the gearing ratios were often superficial and did not address the change in the ratios for the two years.
- (d) There were many correct dividend calculations and no common errors. Most candidates supplied some relevant points to explain the reason for an increased dividend cover.
- (e) Many candidates calculated the price/earnings ratio correctly for both years. Most then made one valid comment but few developed their answer sufficiently to receive credit for more than this.

**Question 3**

- (a) Most candidates could state two uses of a statement of cash flows. A limited number did provide three or even four uses, but some answers did contain duplicated uses.
- (b) There were very few fully correct calculations as very few candidates adjusted for the revaluation reserve. A high number of candidates, however, did adjust for the dividend and transfer to general reserve as well as adding back the loan interest. Overall performance on the question was reasonable.
- (c) Most candidates prepared the statement of cash flows in accordance with IAS 7 and the presentation and layout was generally good. There were a few fully correct statements. The most common errors were the incorrect derivation of interest paid and the incorrect treatment of the office buildings transactions.
- (d) Most candidates provided the required advice, and many did provide valid points which supported their answer in a balanced manner.

# ACCOUNTING

**Paper 9706/32**  
**A Level Financial Accounting**

## General comments

There were three questions on the paper and overall performance was satisfactory with question one being the best answered question.

## Comments on specific questions

### **Question 1**

- (a) Most candidates prepared a manufacturing account in the prescribed format with a limited number of fully correct accounts being submitted. The most common errors were the incorrect positioning of factory wages and/or supervisor's salary and the incorrect derivation of the rate of factory profit.
- (b) The statement of profit or loss was generally well prepared with nearly all candidates producing the statement in the correct format. Common errors included the omission of carriage inwards, the incorrect calculation of closing inventory and the incorrect calculation of the increase in provision for unrealised profit.
- (c) (i) Although there were a few explanations which did address the question, many responses merely described unrealised profit.  
(ii) Responses were slightly better than (c)(i) with many answers mentioning prudence but generally the submissions were too vague.
- (d) Most candidates gave the required advice on incorporation, although a few advised on whether the accounts should be audited. The majority gave a justification point for and against their decision, but few provided any more justification points.

### **Question 2**

- (a) A few candidates demonstrated their knowledge of IAS 37 and stated the required three conditions. However, the majority did not demonstrate such an understanding and there was often confusion with IAS 10 (Events after the reporting period). Many candidates did identify that for recognition it would have to be probable/50% + chance.
- (b) There were very few fully correct statements, but most candidates made some of the adjustments correctly. Nearly all accounted correctly for the irrecoverable debt and the provision for the lawsuit. Some candidates did not gross up the trade receivables resulting in the failure to derive the allowance for irrecoverable debts adjustment. Relatively few candidates derived the impairment loss correctly with some merely deducting the fair value from the value in use.
- (c) A significant number of candidates prepared a ledger account rather than a journal entry and there were relatively few fully correct journal entries submitted.
- (d) Nearly all candidates provided the required advice and many then gave two valid points of justification. However, relatively few candidates developed their answer sufficiently to receive further reward.

**Question 3**

(a) (i) Many candidates were able to state one valid reason why goodwill may have arisen, and some stated two appropriate reasons.

(ii) Some candidates did state a valid reason, but many responses lacked clarity.

(b) Although very few candidates stated three valid reasons, there was a significant number giving two reasons. There were many muddled responses which included such items as intangible assets which failed to answer the question.

(c) This was well answered with a significant number of correct calculations. The most common errors were the omission of the loan and the inclusion of interest on the loan.

(d) There were few fully correct calculations with a wide range of errors. Few candidates adjusted Ahmed's account correctly and many did not apply the correct ratio to the calculated account balance. The share of goodwill was invariably calculated correctly, and most candidates did include the loan in their calculation.

(e) There were relatively few fully correct statements prepared. The most common error was the incorrect calculation of the bank figure with many just entering the given balance without adjustment. Another common error was the incorrect posting of the partners' capital accounts.

# ACCOUNTING

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

## General comments

Overall performance was satisfactory with question one being the best answered question.

## Comments on specific questions

### **Question 1**

- (a) Although most candidates identified the accruals/matching concept, very few developed their answer in context of the club and consequently most answers were generic.
- (b) A very high number of candidates calculated the profit from the vending machine correctly with the most common error being the incorrect calculation of the purchases of soft drinks.
- (c) The income and expenditure account was also prepared to a high standard with some fully correct accounts. Presentation and layout of the statement was generally acceptable. The most common errors were the incorrect derivation of life membership, and the incorrect calculation of the depreciation on club equipment.
- (d) The preparation of the statement to show the changes in the accumulated fund was less well answered. Few candidates derived the opening balance correctly usually due to the omission of one or more of the components. Most candidates did add their surplus for the year, but some added other items before deriving the closing balance in the accumulated fund.
- (e) Most candidates provided the required advice, and many gave some valid points of justification. Responses were generally well presented and balanced, but few were sufficiently developed to receive maximum credit.

### **Question 2**

- (a) The statement of changes in equity was well prepared with a significant number of fully correct statements. The most common error was the incorrect treatment of the dividend(s).
- (b) There were many correct calculations of the return on capital employed. The most common error was the failure to add back the interest on the debentures to the profit for the year, resulting in an incorrect numerator.
- (c) The gearing ratios for both years were calculated correctly by many candidates with no common errors. A few candidates did not give their answer to two decimal places. The comments on the gearing ratios were often superficial and did not address the change in the ratios for the two years.
- (d) There were many correct dividend calculations and no common errors. Most candidates supplied some relevant points to explain the reason for an increased dividend cover.
- (e) Many candidates calculated the price/earnings ratio correctly for both years. Most then made one valid comment but few developed their answer sufficiently to receive credit for more than this.

**Question 3**

- (a) Most candidates could state two uses of a statement of cash flows. A limited number did provide three or even four uses, but some answers did contain duplicated uses.
- (b) There were very few fully correct calculations as very few candidates adjusted for the revaluation reserve. A high number of candidates, however, did adjust for the dividend and transfer to general reserve as well as adding back the loan interest. Overall performance on the question was reasonable.
- (c) Most candidates prepared the statement of cash flows in accordance with IAS 7 and the presentation and layout was generally good. There were a few fully correct statements. The most common errors were the incorrect derivation of interest paid and the incorrect treatment of the office buildings transactions.
- (d) Most candidates provided the required advice, and many did provide valid points which supported their answer in a balanced manner.

# ACCOUNTING

**Paper 9706/41**  
**A Level Cost and Management**  
**Accounting**

## General comments

Overall performance was good with **Question 1** being considerably better answered than the other question.

## Comments on specific questions

### **Question 1**

- (a) The net cash flow calculations for each year were very well answered with a high number of submissions being fully correct. The most common error was the omission of the fishing equipment expenditure from year 0.
- (b) The net present value (NPV) calculation was also very well answered with a high number of fully correct calculations and no common errors.
- (c) Most candidates provided the required advice, and many gave some appropriate points of justification including the fact that the sale of annual tickets would result in higher revenue and NPV.
- (d) Many candidates could state an advantage and a disadvantage of using accounting rate of return but only a few were able to state any more advantages or disadvantages.

### **Question 2**

- (a) A high number of candidates calculated the correct number of units.
- (b) There were some fully correct expenditure calculations. Common errors included the failure to adjust for the opening and closing overdraft balances, and the incorrect derivation of the credit purchases for January and February.
- (c)(i)(ii) Some candidates were able to calculate the increase in sales in April for option 1. Most of these candidates then correctly determined that there would be a decrease in the overdraft. Few were able to deduce that there would be the same increase in sales in May and that the effect on the overdraft was the combination of the increase in sales for both months.
- (d)(i)(ii) Some candidates were able to calculate the increase in purchases in April and most of these then stated that there would be a resultant increase in the overdraft. Relatively few calculated the increase in payments to the credit suppliers in May. Although most realised that this would cause an increase in the overdraft hardly any added the April increase to arrive at the increase in the overdraft in May.
- (e) Most candidates provided the required advice, and many gave some appropriate justification points which centred around the change in the bank overdraft. Few candidates considered the effect of proceeding with both options.

# ACCOUNTING

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**Paper 9706/42**  
**A Level Cost and Management**  
**Accounting**

## General comments

Overall performance was reasonable with **Question 1** being the better answered question.

## Comments on specific questions

### **Question 1**

- (a) The net cash flow calculation was well answered with a high number of fully correct calculations and no common errors.
- (b) (i) The net present value calculation was also well answered with a high number of fully correct calculations. Those candidates who did make an error in part (a) invariably were awarded full marks if they applied the correct discount rates to their own figures.
- (ii) This net present value calculation had fewer fully correct calculations than for (b)(i). Some candidates failed to process the rent increase in year 4.
- (c) A high number of candidates could state clearly what is meant by the payback period.
- (d) Although most candidates did provide some relevant points to support their answer, some provided calculations even though the question clearly stated that these were not required. A decision was often given but this was not required as the question only required candidates to 'Discuss'.
- (e) Nearly all candidates gave the required decision and most gave up to three valid points of justification invariably regarding NPV, payback and the initial investment.
- (f) Most candidates were able to name another method of investment appraisal.

### **Question 2**

- (a) Candidate performance on this question varied. There were some fully correct answers but there were others who demonstrated little knowledge and understanding. Few candidates were unable to calculate the standard profit and actual profit even though they could both be calculated from the given data. Many candidates calculated the sales price variance and total fixed overhead variance accurately with only better prepared candidates calculating the other four variances correctly.
- (b) Few candidates related their discussion to the given situation with many giving a purely generic response with no consideration of the scenario.
- (c) Nearly all candidates gave the required decision but relatively few provided calculations, despite this being a requirement of the question. Although some candidates did provide some relevant justification points, many submitted a mixed-up response with insufficient clarity to be awarded credit.

# ACCOUNTING

**Paper 9706/43**  
**A Level Cost and Management**  
**Accounting**

## General comments

Overall performance was good with **Question 1** being considerably better answered than the other question.

## Comments on specific questions

### **Question 1**

- (a) The net cash flow calculations for each year were very well answered with a high number of submissions being fully correct. The most common error was the omission of the fishing equipment expenditure from year 0.
- (b) The net present value (NPV) calculation was also very well answered with a high number of fully correct calculations and no common errors.
- (c) Most candidates provided the required advice, and many gave some appropriate points of justification including the fact that the sale of annual tickets would result in higher revenue and NPV.
- (d) Many candidates could state an advantage and a disadvantage of using accounting rate of return but only a few were able to state any more advantages or disadvantages.

### **Question 2**

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- (c)(i)(ii) Some candidates were able to calculate the increase in sales in April for option 1. Most of these candidates then correctly determined that there would be a decrease in the overdraft. Few were able to deduce that there would be the same increase in sales in May and that the effect on the overdraft was the combination of the increase in sales for both months.
- (d)(i)(ii) Some candidates were able to calculate the increase in purchases in April and most of these then stated that there would be a resultant increase in the overdraft. Relatively few calculated the increase in payments to the credit suppliers in May. Although most realised that this would cause an increase in the overdraft hardly any added the April increase to arrive at the increase in the overdraft in May.
- (e) Most candidates provided the required advice, and many gave some appropriate justification points which centred around the change in the bank overdraft. Few candidates considered the effect of proceeding with both options.