

# ACCOUNTING

**Paper 7707/11**  
**Multiple Choice**

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

Question Number	Key
13	B
14	B
15	A
16	A
17	B
18	B
19	D
20	C
21	A
22	D
23	B
24	C

Question Number	Key
25	A
26	C
27	D
28	B
29	D
30	D
31	C
32	A
33	B
34	C
35	D

### General comments

Many candidates possessed a good understanding of the topics examined and were able to select the correct key to many items on the paper.

Candidates should be familiar with all topics on the syllabus. They should be prepared to answer questions which involve calculations and those which do not. Practice at multiple choice questions would help candidates to improve their performance in this paper.

Candidates should read through each item very carefully before selecting an option on the answer sheet.

### Comments on specific questions

#### **Question 1**

Candidates were asked to select the task which would not be performed by a book-keeper. The correct answer is **A**. Most candidates answered correctly.

#### Question 4

Candidates were presented with a ledger account and were required to select the correct statement about this account. The correct answer is **B**. Rami is a supplier and Peter has received cash discount from him for paying early. Some candidates thought that Rami had received a discount for buying in bulk. However, discounts for buying in bulk are not recorded in the ledger accounts.

#### Question 9

This question covered the topic of correction of errors. Candidates were asked to calculate the effect on profit, of correcting two stated errors. The correct answer was **D**. Although there were many correct answers, some candidates found this question challenging.

#### Question 11

Candidates were required to adjust the bank statement balance in order to arrive at the updated cash book balance. The correct answer is **A**.  $\$740 - \$150 = \$590$ . Some candidates calculated the original cash book balance (i.e., the balance before the bank charges are deducted to arrive at the updated balance) and so they selected **B** as their answer.

#### Question 12

This question covered the topic of control accounts. It asked what information is obtained from the general journal in order to prepare the purchases ledger control account. The correct answer is **A**. While many candidates answered correctly, a significant number of candidates thought that goods returned to suppliers were recorded in the general journal.

#### Question 19

This question required candidates to select the items which are shown on a statement of financial position. Most candidates answered correctly. The correct answer is **D**.

#### Question 20

Candidates were required to adjust the amounts paid for electricity and for insurance, to account for accruals and prepayments. The correct answer is **C**. The amount charged to the income statement for electricity is  $(\$1500 - \$240 + \$360 =) \$1620$ . The amount to be charged for insurance is  $(\$1200 + \$180 - \$220 =) \$1160$ . Some candidates found this question challenging.

#### Question 21

This question asked which of the listed items is a current liability. Most candidates found this question straightforward and correctly selected **A** as their answer.

#### Question 28

This question covered the topic of incomplete records. Candidates were required to select the option which showed how profit for the year may be calculated. The correct answer is **B**. Some candidates found this question challenging.

#### Question 29

Candidates were required to calculate the sales total by adding together the figures for cash payments, cash drawings, cash banked and cash in hand. The correct answer is **D**. Although there were many correct answers, some candidates deducted the payments and drawings instead of adding them.

#### Question 30

This question required candidates firstly to use the mark-up of 25% to calculate cost of sales, and then to use that figure to calculate purchases for the year. The correct answer is **D**. Some candidates found this calculation challenging.

### Question 31

This question covered trade payables turnover. The correct answer is **C**. The calculation is  $(8000/[150\ 000 - 17\ 000]) \times 365 = 22$  days. Although there were many correct answers, some candidates did not use the formula correctly, or used an incorrect figure for credit purchases.

# ACCOUNTING

**Paper 7707/12**  
**Multiple Choice**

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

Question Number	Key
13	A
14	B
15	C
16	C
17	D
18	C
19	A
20	A
21	B
22	B
23	C
24	B

Question Number	Key
25	D
26	B
27	C
28	D
29	A
30	C
31	B
32	D
33	A
34	D
35	B

## General comments

Many candidates possessed a good understanding of the topics examined and were able to select the correct key to many items on the paper. Candidates should be prepared to answer questions which involve calculations and those which do not. Practice at multiple choice questions would help candidates to improve their performance in this paper. In particular, practice at the calculations involved would prepare candidates for this exam.

Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of accounting. Candidates should read through each item very carefully before selecting an option on the answer sheet.

## Comments on specific questions

### Question 5

Candidates were required to calculate the amount of money required to restore the petty cash imprest. The calculation is  $\$105 - \$15 = \$90$ . The correct answer is **A**. While many candidates answered correctly, some candidates incorrectly calculated  $\$250 - \$105 + \$15$ , and arrived at an incorrect answer of  $\$160$ .

### Question 7

This question required candidates to identify the reason for a stated difference in the totals of a trial balance. The correct answer is **A**. The difference would be explained by a credit balance of \$250 being incorrectly included as a debit balance. Some candidates found this question challenging.

### Question 8

This question covered the topic of suspense accounts. The purchases account had been credited with \$86 instead of being debited with \$68, so  $(\$86 + \$68) = \$154$  need to be debited to the purchases account and credited to the suspense account to correct this error. The correct answer is **C**. Some candidates deducted \$68 from \$86 arriving at an answer of \$18 and so they selected either **A** or **B** as their answer.

### Question 9

Candidates were required to use given figures to calculate the corrected profit for the year. The calculation is  $\$6300 - \$300 - \$300 = \$5700$ . The first error does not affect profit. The correct answer is **C**. Some candidates found this question challenging.

### Question 15

This question required candidates to calculate the balance on the provision for depreciation of equipment account. The depreciation is  $(\$50\,000 - \$10\,000)/5 = \$8000$  p.a. After two years the balance on the provision for depreciation of equipment account is  $2 \times \$8000 = \$16\,000$ . The correct answer is **C**. Some candidates calculated depreciation for one year only. Others omitted the residual value from their calculation.

### Question 16

Candidates were required to calculate how much rent had been received during the year. The rent due is  $\$6120/12 = \$510$  each month. Two months' rent is  $2 \times \$510 = \$1020$ . Three months' rent is  $3 \times \$510 = \$1530$ . The calculation of rent received is  $\$6120 + \$1530 - \$1020 = \$6630$ . The correct answer is **C**. Some candidates found this calculation challenging.

### Question 21

This question covered irrecoverable debts and the provision for doubtful debts. The provision for doubtful debts is calculated as follows:  $1/100 \times (\$6300 - \$200) = \$61$ . The revised profit is  $\$24\,000 - \$200 - \$61 = \$23\,739$ . The correct answer is **B**. Some candidates did not deduct the amount to be written off as irrecoverable in their calculation.

### Question 22

This question covered the topic of partnership. Candidates were asked to calculate the salary for one of the partners, Bob. The residual profit is  $\$24\,000 \times 5/3 = \$40\,000$ . The salary for Bob is  $\$75\,000 - \$20\,000 - \$40\,000 = \$15\,000$ . The correct answer is **B**. Some candidates seemed to use Ann's share of the residual profit, in their calculation, instead of the total residual profit.

### Question 23

Candidates were asked to identify the advantages to shareholders of operating as a limited company. The correct answer is **C**. Most candidates seemed to find this question straightforward and they answered correctly.

### Question 25

This question required candidates to identify the amount of subscriptions which would be shown in the receipt and payments account of a club. The amount which would be shown in the receipts and payments account is the amount received during the year. The correct answer is **D**.

### Question 28

This question covered prime cost in a manufacturing account. Prime cost includes all direct production costs (materials, labour, and expenses). The correct answer is **D**. Some candidates found this question challenging.

### Question 29

Candidates were required to identify the effect of an increase in work in progress, on cost of production and on cost of sales. The correct answer is **A**. There were many correct answers. However, some candidates thought that cost of production and/or cost of sales would increase.

### Question 30

Candidates were asked to calculate the profit or loss for the year, from changes in capital over time. The correct answer is **C**. The calculation is  $\$60\,156 - \$58\,000 - \$2000 + \$9880 = \$10\,036$ . Most candidates found this calculation straightforward and answered correctly.

### Question 32

This question asked about a limitation of comparing accounting ratios for different businesses. The correct answer is **D**. While there were many correct answers, some candidates found this question challenging.

### Question 33

Candidates were required to identify a reason why the government would be interested in the financial statements of a particular trading business. The correct answer is **A**. Some candidates selected an option which did not relate to the government.

### Question 35

This question covered the quality of the information in financial statements. In order to be relevant, financial information must be available in good time. Some candidates did not seem to be aware of this. The correct answer is **B**.

# ACCOUNTING

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**Paper 7707/21**

**Structured**

## **Key messages**

The paper can contain questions on any topic within the syllabus, so it is important to ensure that candidates have a thorough understanding of all its requirements. In addition to being able to prepare financial statements, an understanding of double entry is essential as this is the basis of all bookkeeping. Candidates are also required to apply their knowledge to various scenarios and make suitable recommendations. Working through questions on past examination papers and suitable questions in accounting textbooks is recommended.

Candidates are advised to read each question very carefully before attempting an answer. It is important to read all the data provided and be aware of exactly what each question requires.

A number of scripts were very untidy. Candidates should pay attention to the presentation of their answers. The handwriting of some candidates was extremely difficult to read. It is important that all words and figures are legible.

The spaces provided for answers should be adequate, but candidates can make use of blank pages if additional space is required. Candidates should indicate that an answer is repeated, or continued, by putting a note to state where the additional work can be found.

## **General comments**

All the questions on the paper are compulsory so it is essential that candidates are familiar with, and have an understanding of, all the topics on the syllabus.

Candidates are reminded of the need to use correct terminology within accounts and within financial statements. For example, in ledger accounts 'bbd' is not acceptable in lieu of 'Balance b/d', and in financial statements 'NP' is not acceptable in lieu of 'profit for the year'. A number of candidates used unacceptable abbreviations within accounts and statements such as 'P R' for 'Purchases Returns', 'MV' for 'Motor Vehicle', 'TR' for 'Trade Receivables' etc.

As usual, the paper included three five-mark questions in which candidates were required to discuss a given scenario, giving points for and against and recommending a course of action. Many answers clearly listed the advantages and disadvantages and provided a recommendation. Other responses could have been improved by planning the answer so that the points could have been collated in a suitable order. A few candidates did not give clear recommendations.

## **Comments on specific questions**

### **Question 1**

(a) Candidates were required to prepare an opening journal entry. This topic appears on the syllabus and is included in recommended textbooks, but many candidates were unfamiliar with how to prepare this journal entry. A number of responses incorrectly attempted individual journal entries for the purchase of the non-current assets, the sale of goods to the trade receivables etc. Some answers simply provided an arithmetic calculation showing assets minus liabilities.

(b) A petty cash book had to be prepared. Most candidates earned over half of the available marks. Common errors included:

- Omission of opening balance and incorrect restoration of the opening imprest
- Incorrect wording for the payments
- Inclusion of the balance carried down before the total so the total paid column did not equal the total of the analysis columns
- Complete omission or incorrect wording for the restoration of the imprest on 1 April.

(c) The ledger account of a credit supplier had to be prepared. This should have been relatively straightforward. Common errors included:

- Omission of the opening balance
- Omission of the petty cash payment
- Inclusion of extraneous items such as trade discount
- Incorrect wording
- Complete reversal.

## Question 2

(a) Using data provided, candidates were required to calculate the total depreciation on a motor vehicle up to the date of disposal. There were many wholly correct answers. A few responses incorrectly included depreciation in the year of sale year. Some incorrectly tried to incorporate the disposal proceeds into the calculation.

(b) An account to record the disposal of a motor vehicle had to be prepared. Many candidates understood the entries which were required, but used incorrect wording such as 'MV at Cost', 'Depreciation', 'Proceeds' and 'Loss on Sale' instead of the name of the account.

(c) This short question required an understanding of capital and revenue expenditure. There were many correct responses, but a large number of candidates incorrectly included revenue items such as insurance and petrol.

(d) Advice had to be given on whether a farmer should open a farm shop. Many candidates identified at least one advantage and one disadvantage. Many answers incorrectly discussed the payment of rent for the shop and the availability of additional finance. Very few responses mentioned that the delivery vehicle, which has just been purchased, would no longer be required.

(e) A rental income account had to be prepared. There were a large number of complete reversals. Many did not include the opening rent accrued and some included it as a credit balance. Once again the wording was often incorrect, with 'Barry' being used instead of 'Bank'.

(f) (i) Candidates had to suggest one reason why the gross margin of one business was higher than that of another business. Many correctly stated that was because the selling price was higher. Incorrect responses included higher sales and higher gross profit. As these were farming businesses, 'lower purchase price' was not an appropriate answer.

(ii) Candidates had to suggest one reason why the expenses of one business were lower than those of another business. A common correct response was that one business paid rent and the other did not. Some candidates made statements such as 'Mo had lower expenses', 'Barry had more irrecoverable debts', and 'Barry paid higher wages'. None of these could be substantiated from the data in the question.

## Question 3

(a) A table had to be prepared to name the entries for the correction of five errors. There were many good responses and high marks were earned by some candidates. The last item proved to be the most difficult. Not all candidates realised that the bank had to be credited with \$420 and the insurance and the suspense each debited with \$210. Common errors included:

- Using a figure of \$19 rather than \$38 when correcting the first error
- Making an entry to sales journal rather than sales account in the second error
- Incorrectly using either \$15 or \$105 instead of \$90 in error four.

**(b)** A suspense account had to be prepared. A thorough knowledge of double entry was required and very few candidates gained full marks. Common errors included:

- Omission of the opening difference on trial balance
- Inclusion of extraneous items, such as the trial balance totals and items such as bank charges which did not require a suspense account entry
- Use of incorrect wording such as 'Balance', 'Difference', 'Sales Journal'.

**(c)** Using the data in part **(a)** and the bank balance before the errors were discovered, candidates were required to calculate the correct bank balance. There was a wide variety of responses with some candidates earning full marks. Common errors included:

- Omission of the bank balance of \$935 before error correction
- Inclusion of extraneous items which did not affect the bank such as under-casting of the sales journal
- Reversing the adjustments such as deducting instead of adding the \$90 bank charges.

**(d)** Many answers did not suggest an acceptable use of a bank statement. Some tried to explain the contents of a bank statement, others provided incomplete responses such as 'locates errors', without qualifying where those errors may be found.

#### Question 4

**(a)** Candidates were required to complete a statement of changes in equity. Whilst there were many wholly correct responses, this type of statement appeared unfamiliar to some candidates. Some responses did not earn full marks as they used incomplete details such as 'Profit', 'General Reserve' and 'Dividend'.

**(b)** Using data provided and the answer to part **(a)**, a statement of financial position had to be prepared. This should have been a straightforward question, and many candidates earned good marks. Common errors included:

- Incorrect classification of items, such as showing bank overdraft as a non-current liability and debentures as a current liability, and including the provision for doubtful debts as a current liability
- Not identifying the provision for doubtful debts as a deduction from trade receivables and consequently not showing the amount of net trade receivables
- Complete omission of the equity section, or simply showing one figure
- Omission of totals for the different sections within the statement
- Inclusion of extraneous items such as debenture interest, dividend paid and profit for the year.

**(c)** It was expected that most candidates would be able to offer a definition of equity, but this proved to be a very difficult question. There was a minority of acceptable responses.

**(d)** Using their answer to part **(b)**, and the profit for the year which was provided, candidates were required to calculate the return on capital employed. Many candidates knew the formula, but did not select the correct figures. The numerator should have been the profit for the year plus the debenture interest and the denominator should have been the equity plus the non-current liabilities (or the total assets less the current liabilities). Some candidates did not follow the instruction to show the calculation to two decimal places and also omitted the percentage sign.

**(e)** Advice had to be given on whether a limited company should issue debentures. Many candidates correctly identified one or two disadvantages, but found it difficult to identify an advantage. Many incorrectly discussed the advantages and disadvantages of expanding the company. Some candidates did not seem to be familiar with debentures and made incorrect statements about interest being received. A number of candidates did not offer a recommendation.

### Question 5

(a) A manufacturing account had to be prepared from the data provided. Many candidates were clearly prepared for this type of question and earned high marks. Common errors included:

- Omission and/or incorrect labels for cost of materials used, prime cost and cost of production
- Inadequate labels for individual items such as direct wages being described as wages
- Inclusion of overheads in the prime cost section
- Inclusion of extraneous items such as office staff wages
- Inclusion of work in progress in the overheads section.

(b) The value of an inventory of handbags had to be calculated. This proved to be the most difficult question on the paper. Correct answers were extremely rare. Many candidates correctly calculated the value of three damaged bags ( $3 \times \$13$ ). Some calculated the value of the 237 bags which were in a satisfactory condition ( $237 \times \$14$ ).

Placing a value on the bags which required cleaning proved to be difficult. Many candidates did not deduct the cost of cleaning from the selling price. The total selling price of 15 bags was \$425 minus the cost of cleaning of \$21, which comes to \$384. This is higher than the cost price of 15 bags of \$210 so the bags should be valued at cost price.

(c) Candidates were required to state how the historic cost principle was applied in the financial statements of a manufacturer. Many answers incorrectly linked this to the previous question and commented on valuing inventory. Other responses inexplicably named other accounting principles such as prudence and matching. Only a few were able to explain the assets and expenses are recorded at their actual cost.

(d) Advice had to be given on whether a manufacturer should continue to purchase bags from a supplier or start manufacturing them in her factory. Many candidates were able to suggest at least one advantage and one disadvantage and often also earned the recommendation mark. Some commented about the saving on carriage inwards, but this could not be substantiated from the data provided. Others unnecessarily elaborated points such as the increase in factory wages, factory power etc., instead of making one statement about the cost of production increasing. A few responses considered ways of attracting customers, overlooking that the business was already selling bags.

# ACCOUNTING

Paper 7707/22

Structured

## Key messages

Candidates continue to perform well on typical questions such as the cash book and partnerships. Areas that need to be developed relate to the discussion questions. There are variations in the scenarios that should be considered, and answers constructed accordingly. Too many answers were produced on a standardised basis and then repeated over each of the three written questions.

## General comments

Regular topics such as those mentioned are always popular and were generally well answered. However, it is important to revisit them and practice them as simple omissions and errors have reduced the frequency of maximum marks being obtained in this exam series.

Weaker responses showed a minimal understanding of the bookkeeping requirements for **Question 3** and the need for extensive practice throughout a learning programme cannot be over emphasised.

## Comments on specific questions

### Question 1

(a) This question required the candidates to enter transactions into a three-column cashbook accurately. All ledger accounts (including a cash book) require a date, a correct account reference where the corresponding entry will be recorded and an amount either received into or paid out of the cash or bank account. The amounts would require the calculation of discounts received or allowed and the net result posted. The calculation of 3 per cent and 4 per cent discount before or after payment is a basic numerical technique that needs to be mastered otherwise the cash book will be incorrect.

A further common error was to not recognise that the transfer from the bank of \$400 into cash required a debit and credit entry into the cash book (often referred to as a contra). The net result was an overdrawn cash balance that is not physically possible, and this should act as a warning that there is an omission or significant error within the bookkeeping.

(b) The amount requested from the question asked the candidate to use their own cash book balance after correcting by the error of the amount received from Merve. Most answers received one mark for starting with their own balance, but then tried to make an adjustment of \$91 for an unpresented cheque. By definition this had already been entered into the cash book and could be ignored. Careless errors (such as starting with the total line for the bank of \$1506) were seen regularly and some candidates tried to produce a bank reconciliation statement that was not required.

(c) **Many responses** did not recognise that the business was already offering cash discount, and the scenario proposed to offer an increase to 5 per cent. Too often answers were focused upon the advantages and disadvantages of offering cash discount and referred to the risk of irrecoverable debts and liquidity that were not relevant here. Most candidates identified the advantage of reduced risk of theft and fraud. The general comments of it 'would be easier' or 'time would be saved' referred to the proposed change to stopping cash and cheques being used in the business. Both of these points needed to be developed due to the time taken to visit a bank, or counting of cash, or the period of time taken for cheques to clear under the banking system. Similarly, general comments such as customers or sales would increase required a reason such as increased cash

discount. Alternatively, sales might reduce due to the customers' preference of paying in cash, or lacked the ability to transfer payments using the banking system.

### Question 2

(a) The appropriation account for a partnership tends to be a welcome statement for candidates. The main difficulty here was that most responses did not calculate the interest upon drawings accurately. In practice, the taking of drawings does not conveniently coincide with the year end. It is necessary to calculate, in this case, a proportion of the interest to be charged on drawings based upon how long they had been taken for as a proportion of the financial year, either August (6 months) or December (2 months) in this question.

Weak answers would frequently mix up the addition and subtraction of interest on drawings and interest on capital. Other errors noted were the appearance of fixed capital and current account balances in this statement. These are alien items that resulted in corrupted profit share calculations. This is a fundamental error as capital balances will only appear in the statement of financial position.

(b) The current account for a partner always attracts high marks as own figure answers from **part (a)** are used when producing the answer to **part (b)**. Maximum marks were regularly achieved. Capital account balances do not appear in the current account and again this would corrupt any balances arising when the account is closed off at the year end. It is important to point out here, and in several other questions also, that all ledger accounts should have a balance brought down if applicable or instructed to be produced in the rubric of the questions. The partners' current account is no exception.

(c) Many candidates understood that increased drawings would result in increased interest being charged against the partner and effectively reducing their current account balance. The second point was not as frequently identified, such as possible liquidity issues and/or damaging the relationship between partners. The common misconception was to suggest that partnership profit or capital would automatically be reduced.

(d) This question had a wide range of possible answers ranging from easier to raise capital, limited liability, reduced workload, the potential for losing control of the business and increased legal and administrative costs. Weak answers were too general and phrases such as 'higher costs' and 'more expensive' needed a rationale that supported them; for example, due to higher salaries and the need to pay dividends, ultimately leading to reduced profits.

As identified in the key messages, this question was a clear example of candidates using an answer that focused upon a partnership that takes on a new partner resulting in less risk and potentially more conflict. There is a need to look carefully at the question; candidates must not assume that it is a standard answer that can be reproduced.

This style of question requires a clear recommendation based upon a form of balanced argument regarding the advantages and disadvantages of making the changes. A good answer will make a clear recommendation of whether or not to adopt the change and should not consider an alternative scenario to that posed in the question.

### Question 3

(a) Ledger accounting should not present problems for well-prepared candidates. The entry requirement for each transaction is a date, the corresponding account name for the double entry and the charge to or from the income statement into the provision for depreciation account. The amount of depreciation is based upon the separate calculation required for the year. Common errors were to not include the opening balance that was provided, or to place on the wrong side of the account. Often motor vehicle balances were included signifying a fundamental error in principle. Calculation errors in the amount of depreciation to be charged for the year could be improved and the understanding and practice in how provisions are adjusted is a clear need for many candidates.

(b) The same weaknesses were evident in producing the provision for doubtful debts. Where candidates had a basic knowledge of double entry three to four marks were easily obtained.

The annual calculation of depreciation and the provision for doubtful debts are fundamental to producing accurate financial statements. Candidates who have a firm grounding in the rules and application of double entry bookkeeping will achieve high marks, not just in this question, and will be able to apply the techniques across all aspects of the accounting syllabus.

(c) In contrast to **parts (a) and (b)** of this question, candidates achieved higher marks in the preparation of an expense account for rent and rates. The entries were easier as the figures and balances were available and many candidates achieved four marks and above. If errors were made, they consisted of incorrect account names/labels such as accrued b/d and prepayments b/d and the reversal of bank payments and the transfer to the income statement. Even where final balances were provided it is still necessary to show the balances b/d on April 1, 2025, in order to attain maximum marks.

(d) The presentation of trade receivables in a statement of financial position requires the current asset to be shown with the deduction of the provision for doubtful debts in order to arrive at a net figure. This figure represents a realistic valuation of what a business can expect to receive from this current asset. Many candidates did not realise that the provision was the result of their calculation from **part (b)** and also omitted to deduct the irrecoverable debt of \$300. Weaker responses used the opening trade receivables, mislabelled the other receivables or just gave their answer as a calculation not recognising the presentational aspect of this part of the statement.

(e) (i)(ii)(iii) General textbook knowledge was required for each one-mark answer. It was surprising how many answers to **part (ii)** on 'how to reduce the possibility of irrecoverable debts' suggested to reduce credit sales or sell on a cash sales basis only. This is unrealistic for all businesses that compete in a market where credit sales are the accepted method of trading.

#### Question 4

(a) There were a total of five errors arising after the preparation of the trial balance that needed to be corrected through journal entries. The corrections were straightforward, and most candidates scored above average scores of five marks and more. If errors were to be made regularly, it was in respect of error one, goods being taken for own use and recorded as cash drawings. Few correct answers were seen here. Additional errors included entries such as 'goods for own use', 'purchase invoice' and 'capital from Blair' were taken from the question and did not represent account names. Many instances of suspense account entries were made where none were required.

Error four required a little more thought and a simple debit and credit of \$84 to the respective suppliers achieved only one mark out of the three that were available. Journal entries are used to maintain accuracy in both manual and computerised accounting systems and the ability to understand and correct errors via the journal is essential.

(b) This question and **part (c)** that followed provided a template to make adjustments for errors made previously that would affect firstly the profit for the year. Not all the errors made will necessarily affect the profit. There were reasonable attempts made here, but too often adjustments were identified but either added or deducted incorrectly. Error four needed to be doubled to arrive at a deduction of \$168. The inclusion of the increased capital amount of \$2000 is incorrect and demonstrated a fundamental lack of understanding of how expenses and revenue and assets, capital and liabilities are treated differently in the final accounting statements.

(c) The same template was provided as for **part (b)** to help calculate the balance of the capital account at the end of the financial year. The only impact that needed to be considered was any profit or loss made over the year, plus any new capital introduced. Most answers identified the additional capital introduced of \$2000, but only a small number realised that they needed to include a figure for the revised profit for the year that had been previously calculated in **part (b)**. Weaker responses did not include a profit figure or incorrectly included a range of error adjustments that had already been utilised when adjusting the profit for the year, therefore corrupting the final capital balance.

#### Question 5

(a) The final question explored a range of accounting skills that are employed in order to produce recognised accounting statements from a set of incomplete records. This means full double entry records are not maintained, and techniques are used to fill in the missing information. These

techniques include simple control accounts (or calculations) and the knowledge of how mark ups and margins are calculated.

The first requirement here was to determine a figure for purchases that could be used in the construction of an income statement that would be required later in the question. Responses did not often demonstrate the rationale for carrying this out. Many extraneous items were included, for example expenses or the bank balance and discount received was often omitted or referred to as discount allowed. Candidates must remember to bring a balance down on this account if requested; it represents the balance upon trade payables at the year end.

(b) The income statement pulls together all the information of relevant income and expenses and initially the trading section will utilise the purchases figure from **part (a)** and apply a margin or mark-up calculation. The need to include a purchases figure escaped many responses, although most answers could determine the closing inventory figure of \$6400. The resulting cost of sales figure for many was an unrealistic outcome. The gross profit figure should be 50 per cent of the own figure cost of sales, but this became difficult as many answers decided incorrectly that the sales figure must have been \$103200. This figure was the total receipts for the year.

The average candidate could achieve half marks by completing the expenses, but errors made in the calculation of the depreciation and omission of the accrual for rent and insurance caused further problems. Discount received was almost universally omitted as an addition underneath the gross profit line.

(c) This was a small calculation required to provide a closing trade receivables figure if the final statement of financial position (not required for this question) were to be produced in practice for Rexford's business. A simple sales ledger control account would help to approach this calculation correctly. The use of an own figure for sales from **part (b)** was not considered or the assumption was made that \$103200 sales should be used and just have \$21750 added to or deducted from it. The result overall was this was a poorly attempted question.

(d) The final question asked whether or not Rexford should employ a bookkeeper. Most candidates were able to identify one or two points for and one against employing a bookkeeper. Some responses however did not answer the question specifically enough. For example, some responses discussed employing a bookkeeper who would be part-time, probably temporary or being paid a wage that was too high for a part-timer. A scenario that was regularly seen was a suggestion that the bookkeeper may well be dishonest and Rexford would be better off keeping the records updated himself. This should not be considered as relevant and beyond the scope of this question.

There were many good suggestions for employing a bookkeeper, although some responses did not appreciate the division of responsibility between a bookkeeper and an accountant and this separation of duties needs to be emphasised regularly across a learning programme.