

# ACCOUNTING

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**Paper 9706/01**  
**Multiple Choice**

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

## General comments

The mean and median marks were around 15, and the standard deviation was just over 5 marks. The range of marks shows a normal profile with one third of candidates getting 12 marks or less, and about 20% scoring 20 marks or more. Thus nearly 50% of candidates fall in the narrow middle range and with a little more study and practice could, quite easily enhance their performance by a few marks.

Quite a lot of questions proved straightforward, namely numbers 2, 6, 8, 13, 15, 20, 21, 24, 25, 27 and 29. This indicates that some of the questions in the second half of the syllabus were well answered.

## Comments on specific questions

**Question 1** – this question needed careful reading. Candidates based their calculations on the Income and expenditure account instead of on the Receipts and payments account.

**Question 5** – the purpose of providing for depreciation is to spread the cost of non current assets over their estimated useful lives.

**Question 11** – If a partnership agreement allows interest on capitals but makes no other financial provisions, then under the Partnership Act the balance of profits is shared equally by the partners.

**Question 17** - Candidates did not reason that an increase in debentures does not increase net assets, because the increase in cash is equalled by the increase in debt.

**Question 23** – Many candidates did not deduct interest on the loan stock before measuring the rate of return on shareholders' funds.

# ACCOUNTING

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Paper 9706/02

Structured Questions

## General comments

The standard seemed comparable to previous years. The questions appeared to be accessible to almost all candidates and time did not seem to be a problem.

## Comments on specific questions

### Question 1

- (a) This was generally well answered. In the profit and loss section common errors were either to include bank interest as an expense or to omit it altogether. In the appropriation section the most common error was that of deducting interest on drawings from the net profit, though a few candidates included drawings in the account. Very few candidates scored badly in this section.
- (b) Jaro's current account was less well attempted – reversal of the account was not uncommon as were the inclusions of capital and bank entries. However, most candidates scored at least half marks here.
- (c) There were many and varied answers to this question. The question specifically stated that the **partnership** needed to raise extra finance and it should have been obvious that the finance would be required in the short term. The range of incorrect responses to this question illustrated the importance of reading the requirement very carefully and answering the question which has been set and not one which the candidate thinks has been set.

Many candidates offered the option of selling shares to the public, as if a public limited company could be set up and have shares on offer almost immediately. Other common options offered included hire purchase, leasing, overdraft, debt factoring, selling off spare assets, selling extra stock, asking for longer payment time from creditors and demanding shorter payment time from debtors, none of which would be likely to raise the \$100 000 required.

Those who did give correct methods often found it difficult to give an advantage other than the fact that their method would raise extra finance, which was the object of the exercise.

### Question 2

- (a) Candidates tended to score either full marks or only 1 mark in this section. If the amount of the shop takings was included, the candidate would score 1 mark. Thereafter many candidates had no idea of how to proceed, and gained no more marks here. Others added in the other relevant items and scored 6 marks. Only a very few candidates scored between 1 and 6 marks.
- (b) The trading and profit and loss account was generally well attempted, though many were unable to calculate the purchases figure, which should have included the \$182 600 stock purchased for resale plus the \$21 200 owed for purchases at 30 September 2007. The latter figure was often omitted and the \$6800 for purchase of the new van (a fixed asset) was often included. Drawings were frequently included in the profit and loss section.
- (c) Although most candidates knew how to calculate the formulae, many ignored the instruction to calculate to **two** decimal places. For those who are unsure of what this means, the answer to 107110 divided by 301660 as a percentage would be 35.506862. Given to two decimal places this becomes 35.51, and the two decimal places must be shown to get the marks.

The rate of stockturn was asked for in **weeks**, and many candidates either ignored this instruction and gave the answer in **times**, or tried to convert from times to weeks by multiplying 7.31 by 52 instead of dividing 52 by 7.31.

- (d) Most candidates identified the fact that ratios are useful for comparisons over a period of time and a smaller number also stated that comparisons could be made with other similar businesses.

### Question 3

- (a) The absorption-costing table provided good marks for most candidates, though the re-absorption of the service departments caused problems for some.
- (b)(i) About half of the candidates calculated this correctly, though many lost marks by giving no description of the final figure, thus losing a mark. A large minority calculated an overhead recovery rate for each product rather than for the department.
- (b)(ii) Those who calculated (b)(i) correctly tended to calculate (b)(ii) correctly, but in almost every case gave a correct description (per machine hour). Again, many calculated a rate per product.
- (c) More than half of the candidates understood the reasons for using different methods of calculating the overhead recovery rate, but a surprisingly large number did not use the expressions “capital intensive” and “labour intensive”.
- (d) Most candidates were able to calculate the costs of materials and labour but many had problems applying the figures calculated in (b) to calculate the assembly and finishing department overheads.

# ACCOUNTING

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**Paper 9706/03**  
**Multiple Choice (Supplement)**

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

## General comments

The statistics indicate that this was a testing paper. The mean mark was around 14 (out of 30) and the standard deviation was 6 marks. Looking at the statistics it was not that some questions proved particularly difficult but that more questions than usual seemed to contain plausible and attractive distractors.

**Questions 1, 6, 8, 15, 21 and 25** produced large numbers of correct responses.

Candidates are advised to read a question carefully to make sure they appreciate all the nuances. Not all the questions set are of equal difficulty and it is a sound examination strategy to leave some of the questions which appear to involve a large number of financial figures until the end, and then calculate these more carefully.

## Comments on specific questions

**Question 7** – a careful reading of this question was essential. In this case the question posed was ‘by how much do the net assets of the purchasing company increase’. Many candidates looked at the position in the vendor company not the purchasing company.

**Question 11** – candidates did not include bills payable in their calculation of current liabilities.

**Question 13** – many candidates did not deduct interest of \$60 000 from the operating profits when calculating the return on the shareholders’ funds.

**Question 22** - because direct labour hours worked are higher than budget, there is bound to be an over-recovery of 1000 hours at \$30 per hour, and because actual total overhead was less than budgeted, a further recovery of \$6000 takes place.

# ACCOUNTING

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**Paper 9706/04**  
**Problem Solving (Supplement)**

## General comments

Candidates were generally better prepared for the examination compared to previous sessions. Pleasingly there were fewer very low marks than in recent examinations. There was no evidence to suggest that candidates ran out of time and therefore could not finish the examination.

There has been an improvement in the general neatness of presentation displayed by candidates; good presentation helps Examiners to award marks where appropriate because answers and workings are easily identified. Neatness is also beneficial to candidates. Neat work means that candidates are less likely to use incorrect figures in their final answer after a correct calculation in their workings or when carrying forward figures from one part of a question to another. Layouts in the main were good and there was less evidence of candidates using their own version for accounts and layouts.

The number of candidates who show clear workings continues to grow. This aspect of candidates' work cannot be stressed too strongly and there was clear evidence that those candidates who did not show workings, especially in **Question 1** and **Question 3** did less well than those candidates who supported their final answers with clear annotated workings.

## **Question 1**

Although this question proved to be the most testing on the paper most candidates were able to make a reasonable attempt. In this respect the question proved to be a good discriminator.

**(a)** In the main the capital accounts were well done and significant numbers of candidates scored high marks. It was pleasing to see that most candidates were able to adjust the partners' capital accounts for goodwill. Many candidates included Melvyn's introduction of capital as an opening balance rather than as a transaction separate from the other partners' balances brought forward. The major areas of confusion were that many candidates

- introduced goodwill into the revaluation account and then introduced it separately also
- attributed the change in the value of the assets and the introduction of goodwill to Melvyn even though he had not yet entered the partnership (most candidates were able to write off the goodwill accurately)
- wrote off the change in the value of the assets by debiting all the partners capital accounts.

In both parts **(a)** and **(b)** many candidates used a table to accurately calculate the introduction of goodwill into the partnership and the writing off of goodwill. However a significant number of candidates then debited the introduction and credited the writing off. Surprisingly, many candidates included the opening balances in the capital accounts on the debit side of the accounts.

**(b)** Was generally less well done than part **(a)**. Only a few candidates adjusted the closing balances on the capital accounts to make them reflect the new profit sharing ratios by showing partners introducing or withdrawing cash from the partnership. It was surprising to find that many candidates

- showed appropriations of profits and drawings in the partners' capital accounts (many candidates include interest on drawings either in the capital accounts or in the current accounts)

- used the incorrect ratio for the revaluation of assets
- used a debit total of \$21 000 and a credit total of \$15 000 for the goodwill adjustment

- (c) This part of the question was generally poorly done. Most candidates scored marks for the opening balances and drawings. The division of the profits, 70% and 30%, demanded separate profit and loss appropriation accounts (or some separate calculation of residual profits) in respect of each financial period of six months. This was often ignored with the result that residual profits were shared incorrectly. Interest on capital was generally calculated at 8% for a full year rather than for the half year, similarly, the partnership salary was not charged correctly at \$4000.

Many candidates seemed to blend capital and current account transactions and often balances were not brought down to start the new financial year.

### Question 2

- (a) There were very few correct answers to this part of the question. The question only required that a standard be identified and one mark was allocated to each. Many candidates did not read the requirement carefully and wasted time by detailing how each of the items should be treated. A significant number of candidates wrote extensively on each item, when a check of the mark allocated to each item would have shown that the standard only needed to be named. This indicates a lack of examination technique on the part of such candidates.
- (b) There were many good answers to this part of the question with the best candidates scoring high marks. The weaker candidates were confused over the treatment of non purchased additional goodwill. Very few candidates were able to adjust the profit figure correctly after correcting the closing stock figure. Candidates who showed workings in their calculation of the stock figure generally scored part marks. The adjustment for doubtful debts and for depreciation of fixed assets was generally calculated accurately.
- (c) This part of the question was generally answered well, although a significant number of candidates omitted the share capital and reserves section of the balance sheet. The majority of the candidates who did include a share capital and reserves section failed to include the revaluation reserve. Many candidates failed to include the short term creditors in their answers.
- (d) This part of the question was answered well. The most common errors were the omission of the capital redemption reserve and the revaluation reserve. Once again, a number of candidates were able to score well by using their own figures backed up with detailed workings of how their final figures had been arrived at.

### Question 3

This seemed to be a popular question with most candidates obtaining a reasonably good mark. However, many candidates showed a tendency to omit or short-cut workings resulting in a loss of potential part-marks when their final answer was incorrect. Marks were often lost in process 2 due to incorrect work in progress calculations. No candidate was disadvantaged by either including or excluding a calculation of any abnormal loss in any of the process accounts.

- (a) Many candidates made correct entries for process 1 and scored full marks. This showed good candidate knowledge and application. The overwhelming majority of candidates scored highly in this part of the question. Failure to show relevant workings cost some candidates valuable marks.
- (b) and (d) were generally answered well, although on a significant number of answers careless use of account totals rather than the transfer price resulted in the loss of marks; also a significant number of candidates used input units as the denominator in the calculation.
- (c) Most candidates gained full marks for this part of the question although a significant number of candidates lost the “scrap” mark by accounting for it on the debit side of process 3 account. In all the process accounts a significant number of candidates did not bring forward the transfer price from the previous process.



- (e) Most candidates scored well although only a few achieved full marks. A great many candidates calculated the correct net profit using their own figures but then failed to calculate the percentage profit margin to gain the final mark. A significant number of candidates added the delivery charges to the selling price of the 20 units.