

Examiners' Report/
Principal Examiner Feedback

January 2013

GCE Accounting (6001)
Paper 01

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GCE Accounting 6001/01 January 2013

General comments

Candidates performed in line with previous Examination Series although there was noticeable improvement in some areas. In particular candidates improved their evaluation skills further with generally wide ranging, but balanced arguments in a number of questions. It was particularly noted that where candidates were required to evaluate a business position, responses were informed and balanced.

Previous Examiners Reports have referred to poor balancing of ledger accounts. I am pleased to report that both narrations and technical balancing of accounts was much improved in this examination series.

Specific comments

Question 1

Candidates generally prepared good answers to the question. The Journal entries recording the purchase were of variable quality with more candidates preparing limited answers than good answers. In the Departmental Trading Account the transfers were often not shown separately and were sometimes deducted, incorrectly, from the opening inventory. The wages were often not included in the Departmental Trading Account.

The Income Statement and Financial Position Statement were generally prepared well and accurately. The evaluation of the decision to buy the premises was often one sided in the arguments put forward.

Common errors:

- Journal entries recording the purchase
- Treatment of the transfers in the Departmental Trading Account.

Question 2

The responses from candidates when describing a debit balance on the Rent Receivable Account varied widely in quality. Candidates generally prepared accurate answers to the ledger accounts but often could not identify the accounting concepts which would support or oppose the change in depreciation method. Candidates were fully conversant with the difference between capital and revenue expenditure.

Many candidates made a good attempt to calculate the adjustment in depreciation, but for others responses were limited. The two ledger accounts were reasonably accurate. Candidates demonstrated a range of knowledge when evaluating the proposal with a good balance of points for and against.

Common errors:

- Description of a debit balance on the Rent Receivable Account
- Identification of an accounting concept in support and against the proposal
- A calculation of the depreciation adjustment.

Question 3

Descriptions and the use of examples for the three accounting concepts generally lacked precision. This was particularly evident in the case of the realisation concept. The Income Statement was generally well prepared but with the common omission of the profit on the sale of fixtures and fittings and the rent receivable. The Purchases Control Account and the Statement of Financial Position were accurate. The evaluation of the use of accounting concepts was much improved on previous examinations.

Common errors:

- The description and use of examples for the three accounting concepts. This was particularly evident in the case of the realisation concept.

Question 4

The definitions given for profitability were much improved from those in previous examinations. The Income Statement was generally well prepared, but candidates failed to add back the long term loan interest to the profit for the year when calculating the Return on Capital Employed. The Financial Position Statement was generally well prepared and the liquidity ratios were accurate and in good format. The evaluation was appropriate with balanced comments.

Common errors:

- Failure to add back the long term loan interest to the profit for the year when calculating the Return on Capital Employed.

Question 5

The calculation of the Total Overhead Cost was generally inaccurate. In particular, the calculation of depreciation and managers' salary were inaccurate. Candidates were generally able to calculate the cost per unit in the three options provided and reached an appropriate conclusion. Candidates were fully aware of the points for and against when evaluating the proposal to remunerate using a bonus scheme.

Common errors:

- Calculation of the depreciation and managers' salary in the total overhead cost.

Question 6

Candidates were generally unable to describe and state the use of a Schedule of Debtors. Candidates were also weak in the preparation of the Journal to record the recovery of the bad debt. Candidates did prepare reasonably accurate ledger account and in particular the Sales Ledger Control Account and the Provision for Doubtful Debts Account were very accurate. Evaluation comments on the need for a provision for doubtful debts were balanced and appropriate.

Common errors:

- Knowledge of the nature and purpose of a Schedule of Debtors
- Preparation of journal entries for the recovery of the bad debt.

Question 7

Candidates generally coped well with the question, they were generally aware of the possible reasons for a partnership ending. The Dissolution Account was generally prepared accurately. The capital accounts and bank account contained many correct answers, but often a balance was carried down rather than the account being closed by a transfer from the Bank Account.

Common errors:

- Knowledge of the treatment of loans by the partners under the 1890 Partnership Act
- Closure of the capital accounts by a bank transfer.

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