Examiners' Report/
Principal Examiner Feedback

Summer 2013

GCE Accounting (6001)

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General comments

Centres are to be congratulated on preparing their students for the examination. Students demonstrated a wide range of accounting knowledge and could apply that range of knowledge and application skills to the questions set in the examination. Students demonstrated greater skill and thoroughness in balancing off accounts and completing accounting statements than had been seen in recent examinations.

It was encouraging to see that the majority of students prepared answers using International Accounting Standards formats and terminology. We hope that this trend will continue, although students will not be penalised for a failure to use IAS terminology and formats for the foreseeable future.

Specific comments

Question 1

Students generally prepared sound answers to all sections of the question. The evaluation was comprehensive and well balanced.

Common errors

- Omission of the bank overdraft from the calculation of the opening capital
- Recording the sum received from bad debtors as the value of the bad debt when calculating the revenue sales
- Failure to include that portion of the bank loan repayable within the next twelve months as a current liability.

Question 2

Students generally prepared substantially accurate manufacturing accounts which were in good format. However, a profit on manufacture was regularly not calculated. The prime cost and production cost per pack were accurately calculated. The statement of comprehensive income was prepared accurately and in good format. Students were generally aware of the relationship between depreciation and the going concern and consistency concepts.

Common errors:

- Inclusion of packaging as a production overhead, not a direct cost
- Failure to calculate the profit on manufacture
- Failure to state a reason for using transfer pricing from the manufacturing process.

Question 3

Students generally prepared good answers to the question. The journal entries were generally accurately prepared. The adjustments to the surplus following the correction of the errors contained many accurate adjustments. The statement of financial position was generally accurate and contained most of the adjustments required after preparation of the journal entries. The evaluation was thorough and well balanced.

Common errors:

- Calculation of the impact of the proposed 10 year subscription on the annual surplus and the current balance at the bank.

Question 4

Students generally prepared accurate answers to the question. The capital and current accounts were generally accurate and the evaluation was thorough and balanced.

Common errors:

- Calculation of the interest on capital for Chung in the appropriation account
- Inclusion of the salary to Chung in the appropriation account.

Question 5

A high proportion of students prepared excellent answers to the question. Calculations of inventory values and the statement of comprehensive income were accurate, with many totally correct answers. Most students could differentiate between inventory rotation and inventory valuation, but a minority of students were unable to explain the difference.

Common errors:

- There were no common errors.

Question 6

Students generally prepared a substantially accurate statement of comprehensive income and bank account. The Statement of financial position extract was also generally accurate. Most students calculated the return on capital employed without adding back the bank loan interest to the profit for the year. The calculation should be based upon profit for the year before interest.

Common errors:

- Calculation of return on capital employed. Failure to adjust for interest on bank loan.

Question 7

The liquidity ratios were accurately calculated and presented. Students generally failed to identify the effects on current assets and current liabilities for each of the three proposals set. Therefore, answers to this section of the question were generally poor.

Common errors:

- Failure to identify the effect of each proposal on the current assets and current liabilities.

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