



The Association of Taxation Technicians

## NOVEMBER 2004 EXAMINATION

### PRINCIPLES OF ACCOUNTING

#### EXAMINER'S REPORT

##### **Question 1**

This question was attempted by less than half of the candidates and only a small proportion of these candidates achieved a respectable mark, notwithstanding that for a well prepared candidate there were plenty of easy marks to achieve.

Candidates typically lost marks for failing to include a bank account, notwithstanding that this was specifically requested in part one of the question.

The accounting for the tax deducted from the gross interest paid on the director's loan was also poorly dealt with, with all too many candidates showing the gross interest in the bank account.

Parts 3 and 4 of the question were in the main reasonably well answered.

##### **Question 2**

A popular question attempted by the majority of candidates.

Many candidates possessed a good understanding of 'T' accounts and so scored highly.

The lease of the vehicle was particularly well answered.

The double entries required for the bad debt element of the question caused the most problems for candidates.

The rent receivable caused problems for some candidates in that they failed to account for the accrued income and/or calculate the correct rental income received.

##### **Question 3**

This was a relatively straightforward cash flow question and the well prepared candidates scored highly.

A number of candidates lost easy marks due to not knowing the format of a cash flow, in particular the starting point and the calculation of profit before taxation.

The calculation of depreciation caused problems for many candidates.

##### **Question 4**

This question was attempted by the majority of candidates and was generally well answered.

Candidates lost marks for failing to answer part 2 of the question correctly by failing to identify the need to value stock at the lower of cost and net realisable value. Part 3 of the question was poorly answered by the majority of the candidates.

Part 4 of the question was well answered.