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Examiners' Report Principal Examiner Feedback

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In Accounting (4AC0) Paper 01

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General comments

Centres are to be congratulated on their preparation of students for the January 2018 IGCSE accounting examination. Throughout the paper students were able to demonstrate their knowledge and understanding of accounting which is pleasing.

There continues to be issues around the inclusion of incorrect dates and narratives in books of original entry and ledger accounts but there is some indication that there is some improvement in this area.

The evaluation of business scenarios demonstrated some improvement but still proves challenging for centres and students and centres are advised to concentrate on this area when preparing students for examination.

Comments on specific questions

Section A

Questions 1 - 10

As usual the multiple choice questions provided a good indicator of student performance in the rest of the paper. It is important that students read carefully the whole question before selecting their response. This was important in Q10 where the question required students to consider all the given data in order to reach the correct response.

Section B

Question 11

- (a) Students were required to identify the book of original entry for a given set of transactions. The majority of students were able to score well in this task with the most common error being the incorrect use of the purchases day book to record the purchase of a fixed asset on credit which should be entered in the journal.
- (b) Students were required to prepare a purchase ledger control account and show the closing balance. As in previous sittings there were some excellent responses to this but as in previous sessions correct narratives are still a problem for students. With control accounts the correct narrative should indicate which book the information has been posted from e.g. purchase day book. The most common incorrect treatment was that of the interest charged which should have been shown on the credit side.
- (c) Students were required to explain one error which would not be identified from preparing a trial balance. While the majority of students were able to name the type of error many were unable to develop their response.

Question 12

- (a) Students were required to prepare a petty cash book for a business from a given set of transactions. This was well done by the majority of students with the most common error being the incorrect treatment of postage stamps sold to an employee which should have been entered in the debit column.
- (b) Students were required to prepare a ledger account for postage and stationery and show the closing balance. There were some excellent responses to this but as in previous sessions correct narratives are still a problem for students. The correct narrative should indicate which book or account the information has been posted from in this case the petty cash book.
- (c) Students were required to name the correct section of the balance sheet the closing balance of petty cash would appear. The identification of the current assets section was stated by most students.
- (d) Students were required to evaluate the change in liquidity over the two years of the business using given data. Marks were awarded here where students evaluated **each** ratio and indicated some reference to the implications for the business's creditors. Students should try to relate their response to the given scenario and avoid using generic responses which may not be appropriate to the given scenario.

Question 13

- (a) Students were required to update a cash book in preparation of preparing a bank reconciliation statement. As with other questions the most common error here was the incorrect narrative being given.
- (b) Students were required to prepare a bank reconciliation statement using their response to (a) and other data provided. The responses to this question were variable with weaker students including all the transactions in their statement whereas they should have included only those which had not been processed through the bank.
- (c) Students were required to evaluate the introduction of new technology to assist the owner of a business in managing his accounting function. Marks were awarded both for points in favour and points against which students were able to identify easily. As with all evaluative questions it is necessary to provide some form of concluding statement.

Question 14

(a) Students were required to prepare a manufacturing account from given data. In general this was well answered with many students able to complete the task correctly and score full marks.

(b) Students were required to prepare an income statement (trading and profit and loss account) for a manufacturer from given data and using their response to (a). In previous sittings candidates have been able to deal correctly with the preparation of accounts for a manufacturer but this aspect of a manufacturer's financial statements proved challenging for some students. Weaker students did not include the production cost produced in (a). However as with (a), there were several candidates who were able to complete the task correctly, and score full marks.

(c) Students were required to prepare an extract of the balance sheet to show the fixed assets section. While this was completed well by many students several did not adjust the given figures for the additional year's depreciation as required.

Question 15

(a) Students were required to explain the difference between the writing off of a bad debt and making a provision for doubtful debts. Overall the responses here were good but in order to gain full marks students needed to develop their response and provide a more detailed response.

(b) Students were required to prepare a journal entry to record the writing off of a bad debt and the creation of a provision for doubtful debts. This question proved challenging for some students but there were some good responses with full marks being scored.

(c) Students were required to suggest three steps that a business could take in order to reduce the amount of bad debts. Overall this was well answered with the most common response being to offer cash discounts to encourage prompt payment or charge interest for late payment.

Points for future sessions

- Read each question carefully, particularly the multiple choice questions where students have to make a choice of responses.
- When preparing books or original entry or ledger accounts it is important to include correct dates and narratives in order to gain the marks available.
- In the preparation of any financial statements clear presentation is important in order to allow the student to gain the marks available.
- When responding to questions which require prose response students should ensure that they have read the scenario given and always provide evidence to support any points made.
- When dealing with evaluation questions students should always attempt to reach a conclusion which sums up and supports their findings.

