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## FOREWORD

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This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

# PRINCIPLES OF ACCOUNTS

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## GCE Ordinary Level

<p>Paper 7110/01 Multiple Choice</p>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>C</b>	21	<b>B</b>
2	<b>D</b>	22	<b>C</b>
3	<b>A</b>	23	<b>B</b>
4	<b>B</b>	24	<b>A</b>
5	<b>A</b>	25	<b>B</b>
6	<b>C</b>	26	<b>B</b>
7	<b>A</b>	27	<b>C</b>
8	<b>B</b>	28	<b>A</b>
9	<b>C</b>	29	<b>A</b>
10	<b>A</b>	30	<b>A</b>
11	<b>D</b>	31	<b>A</b>
12	<b>B</b>	32	<b>C</b>
13	<b>D</b>	33	<b>B</b>
14	<b>A</b>	34	<b>D</b>
15	<b>C</b>	35	<b>C</b>
16	<b>B</b>	36	<b>D</b>
17	<b>A</b>	37	<b>B</b>
18	<b>B</b>	38	<b>C</b>
19	<b>A</b>	39	<b>B</b>
20	<b>C</b>	40	<b>D</b>

### General comments

There were 3772 candidates (compared to 3692 in June 2004). The mean mark was 25.9 (compared to 25.4 in June 2004). The standard deviation was 8.4 (compared to 7.5 in June 2004).

All the items were within the scope of the syllabus.

### Comments on specific items

#### Item 4

Although 52% of the candidates correctly selected **B**, it would appear that many candidates were unsure about how credit notes received are recorded.

#### Item 6

The key was chosen by 59%. Selection of the other options – **A** 12%, **B** 15% and **D** 14% – indicates a certain amount of guesswork on how the totals of the discount columns of the cash book are posted.

**Item 8**

Only 50% of candidates correctly selected **B**. It was expected that more candidates would have been able to select the key to this simple correction of error.

**Item 9**

54% chose the correct option. 25% chose **A**, which was the debit balances less the credit balances, which was not the amount owed by the trader.

**Item 12**

Whilst 49% chose the key, **B**, 26% selected option **D**. This is an understandable error as the error in option **D** was not described very precisely. This item will be amended before it is used on any future occasion.

**Item 15**

41% chose the key, **C**. 36% selected **A**, which represented the depreciation on the new equipment only. 22% selected **B** which represented the depreciation charge for the year.

**Item 17**

Only 49% correctly selected the key, **A**. Selection of the other options – **B** 12%, **C** 21% and **D** 18% – indicates considerable uncertainty of how to calculate the charge to Profit and Loss Account arising from an adjustment to a provision for doubtful debts.

**Item 21**

The key was chosen by 35%. Selection of the other options – **A** 26%, **C** 20% and **D** 18% – indicates a substantial degree of guesswork.

**Item 24**

Only 21% selected the key, **A**. The vast majority selected **C**, which represented fixed assets + current assets (excluding bank) + goodwill. This may indicate that candidates did not read the stem carefully.

**Item 29**

Just over half selected the key, **A**. 28% selected **C**. This option used the correct figures, but debited the capital accounts rather than crediting them.

**Item 32**

Whilst 55% chose the key, **C**, 25% chose **D** and 12% chose **A**. Some candidates were obviously doubtful about which items appear in a Profit and Loss Account and which appear in an Appropriation Account.

**Item 33**

Only 51% correctly selected **D**. The percentages selecting **A** and **C** indicate that many were unsure of the treatment of subscriptions prepaid by members.

**Item 34**

This item was also concerned with the subscriptions received from members of a club. 50% selected the key, **D**. Selection of the other options indicates a degree of uncertainty in the calculation of the subscriptions for the current year.

**Item 36**

42% correctly selected the key, **D**. Options **B** and **C** were selected by 22% and 23% respectively. There appears to be some confusion about the capital and reserves section of the Balance Sheet of a limited company.

<p><b>Paper 7110/02</b></p>
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<p><b>Paper 2</b></p>
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**General comments**

As in previous examinations the candidates from some Centres placed a considerable reliance on the final accounts question in order to obtain marks. As the performance in this question was often not reflected through the rest of the paper, it is not an adequate strategy with regard to obtaining a good grade. Again the need for a comprehensive coverage of the syllabus needs to be emphasised.

**Comments on specific questions****Question 1**

Well-prepared candidates found the question straightforward and marks were awarded accordingly. The main errors were:

- (a) Entries in the purchases journal and purchases returns journal were shown under two columns with contra entries. The delivery truck was frequently shown as purchases. Purchases and returns were entered in the general journal. Where the general journal was entered up correctly many candidates failed to provide an appropriate narrative.
- (b)(i) The candidates from some Centres showed little understanding of the required approach to preparing ledger accounts which are an essential requirement with regard to this syllabus. The term sales instead of purchases, and returns inwards instead of returns outwards were often given.
- (ii) The use of basic documentation was not recognised by many candidates, e.g. credit note, or debit note, being given instead of invoice.

**Question 2**

A good response overall, full marks being obtained for parts (a), (b) and (c) by many candidates.

The main errors were:

- the combining of capital and drawings figures in the trial balance, i.e. one total figure being given instead of two figures in each case
- the inclusion of motor vehicles or equipment in the profit and loss account
- the use of the word capital instead of balance b/d in the capital accounts
- a failure to enter profit shares even where correctly calculated in the appropriation account.

**Question 3**

A good response overall to (a) full marks being awarded to many candidates. The main errors were:

- (a) The candidates from some Centres showed little understanding of the principles involved in order to calculate the required figure. Again an essential aspect of the requirements of this syllabus.
- (b) A failure to read the question was in evidence. Instead of stating how, in the given situation, the control account could be used, e.g. calculate total credit sales, many candidates responded with points on rote learning basis, i.e. to detect errors in the sales/purchases ledger; this was not appropriate.
- (c) Again the same comment applies. The key word in the question is limitation. Candidates often repeated, if attempted, the same comments given in part (b).

**Question 4**

- (a) The majority of candidates obtained full marks in this part.
- (b) Although many good answers were given this varied according to Centres. A wide range of comments often falling short of demonstrating that the distinction was clearly understood were presented.
- (c) A variation between Centres. In some instances the two concepts given in this question did not appear to have been given sufficient development from a teaching viewpoint.
  - (i) Only a minimal number of candidates were able to discuss the going concern concept in the context of the valuation of work in progress.
  - (ii) The concept of prudence was reasonably well recognised and answers given accordingly.

**Question 5**

Both parts (a) and (b) were well presented by the majority of candidates.