

# PRINCIPLES OF ACCOUNTS

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

## General comments

There were 4942 candidates (compared to 4610 in June 2008). The mean mark was 19.14 (compared to 19.8 in June 2008) and the standard deviation was 6.11 (compared to 6.5 in June 2008).

One item proved to be easier than expected when compared to the target accessibility range of 25-80%. All the items were within the scope of the syllabus.

## Comments on specific items

### Question 1

It was anticipated that the majority of candidate would select the key, D. 39% selected C which described only fixed assets and 22% selected A which described only current assets.

### Question 2

Whilst candidates are not expected to prepare computerised accounts, they are expected to have a basic knowledge of the benefits of ICT. Whilst 42% correctly selected the key, B, the selection of options A and D indicated a lack of understanding on the part of a large number of candidates.

**Question 3**

62% correctly selected A as the key. It was a little disappointing to find a total of 32% selecting options B and C. It was anticipated that candidates would realise that accounting statements are used for both evaluating past performance and making decisions about the future.

**Question 5**

The key was selected by 64%. It was disappointing to find that 20% mistakenly believed that cash purchases are recorded in the purchases ledger. Candidates should know that the purchases ledger contains the accounts of creditors.

**Questions 6 and 7**

Both these items involved the return of goods.

In **Question 6** 90% knew that credit notes are used to write up a returns journal. However, 28% incorrectly selected option D. Credit notes received are used to write up the purchases returns journal (option B).

In **Question 7** 86% correctly calculated the amount of \$88, but only 56% knew that this amount would be credited to the account of the customer who had returned the goods.

**Question 10**

90% realised that both the un-presented cheques and the uncredited deposits affected bank statement balance, but 30% treated these items incorrectly resulting in option C being selected.

**Questions 11 and 14**

In both these items candidates were provided with journal entries.

In **Question 11** 83% understood that stationery for office use had been incorrectly entered in the purchases account, but 19% believed that the stationery had been credited to the purchases account (option C).

In **Question 14** 50% correctly selected the key, C. The choice of the other options suggests some degree of guesswork.

**Question 12**

The key, D, was selected by 61%. It was disappointing that 22% selected option B. Candidates should know that trade discount does not appear in a ledger account.

**Questions 16 and 18**

Both these items involved errors. The statistics indicate a substantial degree of guesswork and a lack of knowledge of the double entry system.

In **Question 16** 79% realised that the effect on both the gross and net profit would be the same, but only 58% correctly selected the key, A.

In **Question 18** 67% correctly selected B as the key. The selection of the other options indicates a lack of understanding of error correction.

**Question 22**

It was anticipated that the majority of candidates would select the key, B. The selection of the other three options indicates a substantial degree of guesswork. Candidates were expected to know that stock is valued at the lower of cost and net realisable value and that any unsaleable goods are eliminated.

**Question 26**

The key, D, was selected by 39%. Option B was incorrectly selected by 43%. These candidates do not appear to understand the difference between mark-up and margin. Margin is the relationship between the profit and the selling price and mark-up is the relationship between the profit and the cost price.

**Question 30**

The statistics indicate a substantial amount of guesswork between options A, B and C. It was expected that candidates would realise that maintaining a provision for doubtful debts is an application of the principle of matching.

# PRINCIPLES OF ACCOUNTS

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**Paper 7110/02**  
**Paper 2 - Structured**

## General comments

The performance of candidates varied between Centres. It was evident that some topics on the syllabus had not been given sufficient coverage and that these candidates were, therefore, unable to respond adequately to the questions.

## **Comments on specific questions**

### **Question 1**

- (a) Very mixed responses. It was evident that many candidates had not sufficient understanding of book-keeping and double entry procedures. The use of Day Books/Ledger and the appropriate debit and credit in accounts together with an understanding of the arithmetic implications of double entry is an essential underpinning of the subject.
- (b) The majority of candidates were able to identify one purpose of an invoice and one purpose of a credit note. Few stated that an invoice is a request for payment or that a credit note indicates that a debtor's account has been credited.

### **Question 2**

- (a) There were good answers with the majority of candidates correctly identifying the appropriate error. Item (iv), reversal was the one that caused problems for some candidates.
- (b) A very good response overall. Many candidates were awarded the full marks for this part. Item (iv) caused problems for some candidates, i.e. discounts being shown as debits, or, L Staithe being entered as suspense.
- (c) Again a good response. The treatment of the discounts caused problems for some candidates.

### **Question 3**

- (a) The majority of candidates correctly calculated the gross wage, \$750. The treatment of the tax and social security caused many candidates problems. The majority of candidates missed the point that the \$65 was an additional payment only from the employer's viewpoint and not a further payment by the employee.
- (b) Very poor answers. The implication of the accounting treatment of figures arrived at as a result of a wages calculation was not appreciated by the majority.
- (c) Responses to this section were poor. Where attempted the majority of candidates stopped at gross profit. The sales figure rarely included the takings relating to the party, \$770. The purchases figure was not adjusted for creditors. A small number of candidates included the expenses of wages, repairs and depreciation in the account.
- (d) There was a great deal of variation between Centres in response to this question. A reasonable number of candidates provided acceptable differences. In contrast it was evident that many candidates had not been given a sufficient grounding in the contrast of 'for profit and 'not for profit' organisations from an accounting viewpoint.

**Question 4**

- (a) Candidates lost marks by making only a partial point and not providing a difference, e.g. “a company can issue shares to raise capital, a partnership cannot”, is not adequate, the means of raising capital by partnerships is also required. Again Centre variations, good answers from many candidates.
- (b) Well done overall by the majority of candidates. The main problem was the calculation of the interest on capital for Bell.
- (c) Again, well done. The main failing was not showing a balance brought down.
- (d) Very good answers. The ratios were well understood and correctly calculated by the majority of candidates.
- (e) Confusion was evident in answers to this part. Many candidates did not understand the implication of changes in the ratios calculated at different points in time. It was obvious that very few candidates had an appreciation of the context of the interpretation of ratios.

**Question 5**

As in previous sessions the majority of candidates were very familiar with the essential requirements of preparing final accounts.

- (a) The main problem for candidates was the implication of note 2 of the question, i.e. the split of motor vehicle expenses between carriage inwards and carriage outwards. Only a minority of candidates were able to calculate and combine the required figures in an appropriate manner, i.e.

	Carriage Inwards	Carriage Outwards
	\$	\$
Wage	2,300	9,200
Expenses	1,300	5,200
Depreciation	206	800
	<u>3,800</u>	<u>15,200</u>

- (b) Good answers overall. The main errors were:
- The loan interest accrual was missed, £2,400.
  - The provision for doubtful debts was not treated correctly.
  - The bank loan was shown, incorrectly, i.e. interest being subtracted from the principle sum.
  - The bank loan was entered in the midst of the capital calculation.