

ACCOUNTING

Paper 9706/11
Multiple Choice 11 (Core)

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

General Comments

The mean mark was 17, with many candidates bunching in the middle range. Only a few candidates attained high or low marks.

There were no relatively easy questions on the paper. Candidates were required to have some basic knowledge of accounting in order to answer any of the questions. The following questions prompted many correct responses: **1, 5, 8, 13, 17, 20 and 22**.

It is interesting to note that the management accounting questions do not have as high a correct response rate as the financial accounting questions.

Some questions attracted incorrect responses from candidates, who were easily misled by an attractive “distractor”. These were **Questions 4, 15, 27, 28 and 29**.

Comments on specific questions

Question 11

Candidates correctly allowed for the invoice that had not been entered in the accounting records, but did not allow for the debit balances on the payables control account to be included with the receivables. Generally it is not permitted to “nett” accounts; candidates should include the gross figures to give the maximum information.

Question 14

The factory profit needed to take into account the mark-up on the opening and closing stocks of finished goods: $\$8000 + \$48\,000 - \$9000 = \$47\,000$.

Question 16

This question asked for Y's share of the total profits but many candidates did not read the item carefully and thought that it was asking for his share of the residual net profit. Total profits include Y's salary and his 6% interest on capital.

ACCOUNTING

Paper 9706/12 Multiple Choice 12 (Core)
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	D	16	C
2	B	17	B
3	C	18	A
4	A	19	A
5	D	20	C
6	B	21	B
7	B	22	C
8	D	23	D
9	A	24	D
10	D	25	C
11	C	26	A
12	B	27	C
13	C	28	D
14	C	29	D
15	C	30	A

General Comments

Results on this paper were very satisfactory. The mean mark was just under 19. The results showed a normal profile.

There were no relatively easy questions on the paper and candidates had to have some basic knowledge of accounting in order to answer any of them. The following questions prompted a large correct response rate: **1, 4, 7, 8, 11, 12, 16, 21, 22 and 30.**

It is interesting to note that management accounting questions do not have as high a correct response rate as the financial accounting questions.

Some questions attracted incorrect responses from candidates, who were easily misled by an attractive “distractor”. These were **Questions 6, 13, and 27.**

Comments on specific questions

Question 10

Candidates correctly allowed for the invoice that had not been entered in the accounting records, but did not allow for the debit balances on the payables control account to be included with the receivables. Generally it is not permitted to “nett” accounts; candidates should include gross figures to give the maximum information.

Question 15

This question asked for Y's share of the total profits but many candidates did not read the item carefully and thought that it was asking for his share of the residual net profit. Total profits include Y's salary and his 6% interest on capital.

Question 28

Candidates did not allow for the fact that, although the tenth supervisor only looked after five machinists, (s)he still earned the fixed supervision fee of \$40 each day.

ACCOUNTING

Paper 9706/13
Multiple Choice 13 (Core)

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

The results on this paper were very satisfactory. The mean mark attained was just under 18. The mark profile was not quite a normal curve, indicating that some very good candidates counterbalanced some less able candidates.

There were no relatively easy questions and candidates had to have at least a basic knowledge of accounting to answer any of the questions. The following questions were well answered: **3, 6, 7, 10, 11, 20, 21** and **29**.

It is interesting to note that management accounting questions did not have as high a correct response rate as the financial accounting questions.

Some questions attracted incorrect responses from candidates, who were easily misled by a seemingly attractive "distractor". These were **Questions 5, 12, 16, 25** and **27**.

Comments on specific questions

Question 9

Candidates correctly allowed for the invoice that had not been entered in the accounting records, but did not allow for the debit balances on the payables control account to be included with the receivables. Generally it is not permitted to "nett" accounts but to include gross figures to give the maximum information.

Question 14

This question asked for Y's share of the total profits but many candidates did not read the item carefully and thought that it was asking for his share of the residual net profit. Total profits include Y's salary and his 6% interest on capital.

ACCOUNTING

<p>Paper 9706/21 Structured Questions 21 (Core)</p>

General comments

It is difficult to generalise as there were only a small number of candidates for this time zone paper. See comments on individual questions.

Comments on specific questions

Question 1

This was generally fairly well attempted, though no candidates attained full marks.

- (a) About half of the candidates failed to adjust the closing inventory in line with additional information number 1.

Most of the operating expenses were entered correctly but Depreciation was correctly calculated in only a few instances. Candidates were awarded an Own Figure mark if there was any evidence of calculation.

Loan interest was frequently given as \$6000, half of the correct figure.

- (b) Most candidates gained reasonably good marks here, though the prepaid insurance was ignored by about 25% of the candidates and a small number omitted one or other of the Other Payables (accruals), thereby losing a mark.

Question 2

Some excellent answers here – the vast majority of candidates seem to have a good grasp of ratios.

- (a) Many good answers, with a good number gaining full marks. Most candidates appeared to understand the meaning of the ratios requested.

- (b) The few candidates who named Dakeeri as the better performing of the two had no justification in doing so other than the fact that their understanding of ratios was reversed – their incorrect belief, for example, was that a low net profit ratio was better than a high one.

- (c) Three marks were available for each comparison – it should have been obvious that more than a simple statement was needed to gain full marks. For example, the candidate who stated that Chikkadea's net profit ratio was 'Higher' than Dakeeri's gained one mark. If 'Better' was used instead of 'Higher' then two marks were awarded. And if the candidate then explained why this might be, for example better control of expenses, then a third mark was awarded.

Question 3

This question was for the most part, very badly answered.

- (a) There was no need to give a monthly income statement, and indeed this was not expected. However, about a third of the candidates gave their answer in that format and were awarded full marks for each correct line.

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Overall, the most common error was in layouts – very few gave a contribution figure, and those who did, often included administrative expenses which many entered as \$2500, which was the amount for a full year.

The closing stock figure was rarely calculated correctly.

- (b) Many candidates omitted this section, and those who attempted it had, for the most part, little idea of the difference between marginal and absorption approaches.
- (c) The small number who attempted this section rarely gave a correct account of the difference, even after taking into account their own worked figures.

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Paper 9706/22

Structured Questions 22 (Core)

General comments

Candidates found **Question 1** to be easiest and **Question 2** the most difficult. The general level of difficulty was similar to the previous year.

Comments on specific questions

Question 1

Many candidates attained full marks.

- (a) Generally good marks here. The commonest mistakes were to classify manufacturing wages as a factory overhead and to include Sales in the manufacturing account.
- (b) Again, good marks in general. Errors included miscalculation of the reduction in the provision for doubtful debts and classifying income from rent as an expense.
- (c) Well presented by most candidates. Common errors were recording only one of the closing stocks, entering the wrong adjustments for the debtors figure and classifying the bank overdraft as a current asset.

Question 2

This question was very poorly attempted by most candidates, though a few did attain full marks.

- (a) (i) This would have been best attempted using Disposal accounts, but only around half of the candidates tried to use these, and of these only a very small number - around two to three percent - gained full marks. Calculations were equally acceptable, but again very few did well here. Commonly, the machinery disposal was calculated, then one of the disposals of motor vehicles was calculated but the second disposal of motor vehicles was often ignored.
- (ii) The fixed asset schedule was very much a discriminator. Few, if any, of the candidates were used to this presentation but the more able worked out the rates of depreciation from the given schedule and could apply them in their answer.
- (b) (i) The question asked for the causes of depreciation – this was interpreted by a large minority as the methods of depreciation, and answering on that basis gained no marks. Those who correctly understood the question usually gained at least two marks, for Wear and Tear and Obsolescence, and some gained a third mark for Time or Depletion.
- (ii) Those who answered (b)(i) correctly usually did well enough in (b)(ii).
- (c) Some good answers here, though some candidates discussed the various methods of depreciation which did not gain marks.

Question 3

Well done by most candidates.

- (a) The vast majority of candidates understood these concepts and were able to communicate their understanding.

- (b) As the question gave the formula, most candidates gained full marks here, though some did not seem to understand the word Percentage (%) and gave the answer as 3.5:1 or 7/20.
- (c) Many correct answers here but almost half tried to use the formula of Fixed Costs divided by Unit Contribution, and as Unit Contribution was not available those candidates usually gained only one mark.
- (d) and (e) Usually some marks scored here, though fewer gained full marks.
- (f) This was a good discriminator with many candidates giving the answer \$469 000, as they saw a reduction in sales price as being synonymous with a reduction in sales quantity.

ACCOUNTING

<p>Paper 9706/23 Structured Questions 23 (Core)</p>

General comments

Most candidates were well prepared for this Paper and overall candidate performance was very good with some Centres displaying an excellent understanding across the range of topics examined. The majority of Centres are to be congratulated on the performance of their candidates. However, there were also a few Centres who clearly did not fully appreciate the standard of work required at this level and their results tended to be poor. The questions that were particularly well done by the majority of candidates included **Question 1**, **Question 2 (a)** and **(d)** and **Question 3 (c)** and **(e)**.

Comments on specific questions

Question 1

- (a) The calculation of a purchases figure from limited data is a common question at the AS level and the majority of candidates answered correctly for full marks. The weaker candidates, however, wrongly treated the adjustments for the opening and closing trade payables balances.
- (b) Candidates were required to calculate Jasper's sales. The majority grasped that the calculation first required them to work out the cost of goods sold figure then apply the mark-up to this to obtain the total sales. Weaker candidates often attempted to create a sales ledger control account but without the closing trade receivables balance they could not bring this to a conclusion. The key area of difficulty for those who correctly calculated the cost of goods sold was the correct application of the mark-up to this figure in order to obtain the correct annual sales.
- (c) The layout of a correctly structured income statement was well understood by all candidates but the weaker candidates failed to correctly adjust the rent, insurance and wages figures and included drawings in the account. Some also wrongly included balance sheet items such as trade payables and receivables. Many candidates correctly calculated the loss on disposal of machinery though some labelled this as depreciation and some wrongly treated the loss on disposal as income. The depreciation calculation caused problems for many and quite a number of candidates ignored depreciation completely and made no entry for depreciation in the income statement.
- (d) The balance sheet was again correctly laid out but full marks were rarely achieved. Even though many candidates had the correct sales figure from part (b) they were unable to utilise the opening trade receivables balance, sales figure and bank and cash receipts to arrive at the correct trade receivables figure for the balance sheet. In addition, the drawings figure was rarely correct and many did not calculate the opening capital figure separately, simply making it the balancing item in the statement.

Question 2

- (a) This was a reasonably straightforward question requiring the preparation of a sales ledger control account from a limited amount of sales related data. Most candidates achieved good marks though some candidates included cash sales in the account and some candidates had problems with correctly debiting or crediting the dishonoured cheque and the contra entry. The majority of candidates prepared a 'T' account and should be encouraged to bring down the closing balance to the following month.

- (b) This required a more thorough understanding of control accounts as well as double entry and correction of errors. Most candidates scored some marks in this section but there was a general failure to realise that \$840, not \$420, was required to adjust the sales returns and the weaker candidates tended to be unsure as to whether an adjustment should be added to or subtracted from the closing sales ledger control account balance calculated in part (a)
- (c) A number of candidates did not attempt this section but those who did scored reasonable marks. The \$840 adjustment for the credit note posed a problem for many candidates in this section.
- (d) Candidates generally had a firm grasp of the key advantages of keeping control accounts.

Question 3

There was a mixed response to this question. Many candidates scored full marks overall but there were also many candidates who had little idea how to attempt part (a), (b) and (d).

- (a) (i)(ii) The answer required candidates to divide the difference in fixed costs by the difference in variable costs. Many chose to use the difference in contribution rather than variable costs and though they were awarded marks for using the variable cost in their calculation they could not arrive at the correct answer. Many, however, scored full marks in (a)(i) and (ii) and most candidates who attempted the question gained some marks.
- (b) Many candidates scored full marks in this question but the weaker candidates clearly had no idea how to arrive at the correct answer.
- (c) This was a more straightforward question requiring mainly arithmetical ability. Even so, many candidates struggled with the profit or loss calculation. A wide range of marks was evident here with the biggest error being the failure of candidates to include the \$8 million original fixed cost with the additional fixed costs for cabinets 2 and 3.
- (d) A large number of candidates scored full marks for correctly calculating the answer of 257,143 cabinets but as in (b) the weaker candidates had little idea how to approach this question.
- (e) Many candidates had a good grasp of the assumptions made when applying break-even analysis but quite a number described what break-even analysis was by explaining contribution, the BEP and the margin of safety. Although much of this information was correct, it was not required by the question; the explanations given did not answer the question and, therefore, achieved no marks.

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Paper 9706/31 Multiple Choice 31 (Supplement)
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	B	16	A
2	A	17	D
3	B	18	C
4	D	19	D
5	B	20	B
6	A	21	B
7	B	22	C
8	D	23	B
9	A	24	A
10	C	25	C
11	B	26	C
12	D	27	C
13	A	28	C
14	D	29	C
15	B	30	C

General Comments

The results showed a low distribution profile with two-thirds of candidates scoring 15 or less marks. The median mark was 13 and the mean was only slightly higher.

Few questions could be described as 'easy', but **Questions 1, 5, 19, 21, and 25** produced high scores. It is interesting to note that three of these questions are in management accounting which does not always produce strong results.

The responses to some questions indicated that candidates had guessed the answer. Other responses showed that many candidates had been easily misled by an attractive 'distractor'. These were questions **2, 4, 8, 15, 20 and 30**.

Comments on specific questions

Question 6

A bonus issue of shares does not affect the total amount of shareholders' funds. The only costs affecting shareholders' funds are the costs of \$10 000.

Question 10

Many candidates appeared not to notice that a statement of changes in equity was required, and included the proposed dividend for the current year whilst omitting the final dividend paid in respect of the previous year.

Question 12

Some candidates worked out their answer as 50 000 \$1 shares plus 25% equals \$62 500. The correct answer is $\$20\,000 \times 100/25 = \$80\,000$.

Question 17

The valuation of work in progress should include production overheads based on the normal level of activity. Using the actual level of activity would simply reflect the results of that period and may not be typical.

Question 28

The responses indicated that there was a considerable amount of guessing. The average investment is \$90 000. Net profit generated is \$64 000 less \$14 000, less depreciation of \$35 000 = \$15 000. $\$15\,000 \times 100/\$90\,000$ equals 16.67%.

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Paper 9706/32
Multiple Choice 32 (Supplement)

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

General Comments

The results for this paper were very satisfactory. The mean mark was almost 17 and one-third of candidates scored 20 marks or more. The distribution profile was normal.

There were no relatively easy questions and candidates had to have a good knowledge of accounting to answer these A level questions. The following questions prompted high scores: **1, 7, 18, 19, 21, 26** and **29**. Several of these were basic management accounting questions which do not usually attract such a good response.

The responses to some questions indicated that candidates had guessed the answer. Other responses showed that many candidates had been easily misled by an attractive 'distractor'. These were questions **4, 12, 15** and **22**.

Comments on specific questions

Question 10

Candidates appeared not to notice that a statement of changes in equity was required, and included the proposed dividend for the current year whilst omitting the final dividend paid in respect of the previous year.

Question 17

The valuation of work in progress should include production overheads based on the normal level of activity. The actual level of activity would simply reflect the results of that period and may not be typical.

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<p>Paper 9706/33 Multiple Choice 33 (Supplement)</p>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	A	16	D
2	B	17	C
3	D	18	D
4	B	19	B
5	A	20	B
6	B	21	C
7	D	22	B
8	A	23	A
9	C	24	C
10	B	25	C
11	D	26	C
12	A	27	C
13	D	28	C
14	B	29	C
15	A	30	B

General Comments

The mean mark was 16. One third of candidates scored 19 marks or better. The mark distribution profile was not quite a normal curve, indicating some able candidates were counterbalanced by some weaker candidates.

There were no relatively easy questions and candidates had to have a good knowledge of accounting to answer these A level questions. The following questions achieved high scores: **4, 6, 10, 18, 20** and **25**.

These included some management accounting questions, which do not usually attract such a good response.

The responses to some questions indicated that candidates had guessed the answer. Other responses showed that many candidates had been easily misled by an attractive 'distractor'. These were **Questions 1, 3, 11, 14,** and **27**.

Comments on specific questions

Question 9

Candidates appeared not to notice that a statement of changes in equity was required, and included the proposed dividend for the current year whilst omitting the final dividend paid in respect of the previous year.

Question 16

The valuation of work in progress should include production overheads based on the normal level of activity. The actual level of activity simply reflects the results of that period and may not be typical.

Question 21

Using last year's figures and adjusting them to reflect changes that have occurred since then indicates incremental budgeting. Flexible budgeting allows for different production/sales levels.

ACCOUNTING

<p>Paper 9706/41 Problem Solving 41 (Supplement)</p>
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General comments

In general, the standard of candidates' responses to questions showed an improvement and candidates appeared to be better prepared for the examination. There were fewer poor scripts, and at the same time there were also some scripts with much higher marks than in previous sessions. Many candidates found **Question 1** and **part (d) of Question 2** more difficult than the other questions in the paper. Most candidates responded well to **Question 3**, perhaps because it was a more straightforward and traditional question.

Candidates' responses seemed to indicate that well-prepared candidates had access to all the available marks. **Questions 1** and **2** proved to be good discriminators, with a wide range of marks being scored.

Pleasingly, there has been an increase in the use of workings. The showing of detailed workings cannot be emphasised too strongly, for example, when calculating ratios or calculating the capital account balance to be shown in the balance sheet of a partnership. Workings must be clearly shown and used within the final answer.

There was no evidence to suggest that candidates had run out of time or that candidates had to hurry to complete the paper. Layouts continue to improve. There were, however, still a significant number of scripts that were poorly presented. The main problem seemed to be either untidy workings presented with little or no logical thought or illegible alterations. When workings are not clear it is difficult for the examiner to identify and award marks for those parts of the calculation which are correct or to award marks for the correct use of a candidate's own figures.

Comments on specific questions

Question 1

This question resulted in a wide range of marks.

- (a) Generally, candidates produced a balance sheet with the correct non-current (fixed) and current assets. A common error in the current liabilities was to not offset the overdraft of one partner against the bank balance of the other.

Candidates used a variety of layouts for their answer to the capital section of the balance sheet, including showing the capital content in a vertical format within the balance sheet or incorporating the revaluation adjustments within the capital accounts as a working. Candidates are reminded to show **all** their workings at all times and to incorporate all of their workings within their answer.

The most common errors were to omit the provision for doubtful debts and/or include the bank balances within the revaluation working. It was disappointing to see that several candidates did not produce an amalgamated balance sheet and instead produced two single balance sheets, one for each partner.

- (b) There was a variety of approaches to this part of the question. Most candidates correctly calculated the new profit of \$55 000.

A common error was to share out this new profit in the profit sharing ratio without adjusting for the salaries, interest on capital or share of residual profits. Other candidates treated the new profit as the income and added the adjustments. Sometimes an adjustment for the revaluations and goodwill was also included. Few candidates compared the old profit with the new profit share of each partner to calculate a change in profit.

- (c) There were some very good answers to this part of the question, with candidates giving valid evaluations. Many of them supported their arguments by commenting on the original liquidity position of each partner as well as the liquidity ratios and the return on capital employed ratio. Candidates must remember to state these ratios correctly. A few candidates just focused on the receipt of a salary and ignored the liquidity issues.
- (d) There were relatively few attempts at this part of the question and it was a good discriminator. A common error was to use the old profit of \$50 000 instead of the new profit of \$55 000. If a change is asked for the candidate must describe the change by either stating that it was an increase or a decrease.

Question 2

This question produced a wide range of marks, especially in part (d).

- (a) This part of the question was generally answered well. The most common error was either to omit or to incorrectly calculate the inventory (stock) in the trading section. For example closing inventory (stock) was often stated as \$32 000 without the unrealised profit. A less common error was to add the increase in provision for unrealised profit and/or to omit the manufacturing profit.
- (b) Only a few candidates correctly presented the extra from the balance sheet for inventory (stock). Although some calculated the finished goods correctly, many forgot to include the inventory (stock) of raw material.
- (c) The majority of candidates correctly calculated the costs although a few calculated contribution instead. Another common error was to add the costs together as a final answer.
- (d) This part of the question proved testing for most candidates. The importance of clear workings was most evident in this part of the question; quite often the workings were jumbled and confused with no final valuation given. Unclear workings make it difficult for examiners to award part marks for correct values or approaches to the problem. Common errors included just stating the number of units in inventory (stock) rather than give a monetary value to the inventory (stock) or using the selling price to value the items of inventory (stock) sold.
- (e) Many candidates did not know the answer or they incorrectly identified SSAP 9 as the standard.

Question 3

This question produced better answers and showed that candidates were well prepared for a question on this topic.

- (a) (i) This part of the question was well answered, although a common, but basic, error was to include depreciation in the calculation of net cash flows.
- (ii) Generally this was well attempted although a common error was to omit the adjustment for working capitals of \$10 000 and \$18 000 to the calculation of the average capital. Candidates must also remember to state the final answer correctly as a percentage.
- (iii) The payback calculation was often correct although candidates are reminded to show all workings and to state their answer correctly using the correct rounding. The rounding was especially important here as the paybacks were so close. So answers of 2.8 years and 2 years and 10 months for both A and B were not accurate enough. Confusion also arose over the treatment of working capital and some candidates incorrectly calculated a discounted payback.
- (b) The net present value was often clearly presented and correctly calculated. Candidates also adjusted for the working capital correctly.
- (c) There was generally a good understanding of the limitations of each method. However, a few candidates just gave definitions of the methods rather than identifying the limitations.

- (d) There were many valid points which could have been made from the candidates' own calculations but the final judgement should have been based on the result of the net present value. Candidates generally scored well in this part of the question.

ACCOUNTING

<p>Paper 9706/42 Problem Solving 42 (Supplement)</p>
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General comments

In general, the standard of candidates' responses to questions showed an improvement and candidates appeared to be better prepared for the examination. There were fewer poor scripts, and at the same time there were also some scripts with much higher marks than in previous sessions. Many candidates found **Question 1** and **part (d) of Question 2** more difficult than the other questions in the paper. Most candidates responded well to **Question 3**, perhaps because it was a more straightforward and traditional question.

Candidates' responses seemed to indicate that well-prepared candidates had access to all the available marks. **Questions 1** and **2** proved to be good discriminators, with a wide range of marks being scored.

Pleasingly, there has been an increase in the use of workings. The showing of detailed workings cannot be emphasised too strongly, for example, when calculating ratios or calculating the capital account balance to be shown in the balance sheet of a partnership. Workings must be clearly shown and used within the final answer.

There was no evidence to suggest that candidates had run out of time or that candidates had to hurry to complete the paper. Layouts continue to improve. There were, however, still a significant number of scripts that were poorly presented. The main problem seemed to be either untidy workings presented with little or no logical thought or illegible alterations. When workings are not clear it is difficult for the Examiner to identify and award marks for those parts of the calculation which are correct or to award marks for the correct use of a candidate's own figures.

Comments on specific questions

Question 1

This question resulted in a wide range of marks.

- (a) Generally, candidates produced a balance sheet with the correct non-current (fixed) and current assets. A common error in the current liabilities was to not offset the overdraft of one partner against the bank balance of the other.

Candidates used a variety of layouts for their answer to the capital section of the balance sheet, including showing the capital content in a vertical format within the balance sheet or incorporating the revaluation adjustments within the capital accounts as a working. Candidates are reminded to show **all** their workings at all times and to incorporate all of their workings within their answer.

The most common errors were to omit the provision for doubtful debts and/or include the bank balances within the revaluation working. It was disappointing to see that several candidates did not produce an amalgamated balance sheet and instead produced two single balance sheets, one for each partner.

- (b) There was a variety of approaches to this part of the question. Most candidates correctly calculated the new profit of \$55 000.

A common error was to share out this new profit in the profit sharing ratio without adjusting for the salaries, interest on capital or share of residual profits. Other candidates treated the new profit as the income and added the adjustments. Sometimes an adjustment for the revaluations and goodwill was also included. Few candidates compared the old profit with the new profit share of each partner to calculate a change in profit.

- (c) There were some very good answers to this part of the question, with candidates giving valid evaluations. Many of them supported their arguments by commenting on the original liquidity position of each partner as well as the liquidity ratios and the return on capital employed ratio. Candidates must remember to state these ratios correctly. A few candidates just focused on the receipt of a salary and ignored the liquidity issues.
- (d) There were relatively few attempts at this part of the question and it was a good discriminator. A common error was to use the old profit of \$50 000 instead of the new profit of \$55 000. If a change is asked for the candidate must describe the change by either stating that it was an increase or a decrease.

Question 2

This question produced a wide range of marks, especially in part (d).

- (a) This part of the question was generally answered well. The most common error was either to omit or to incorrectly calculate the inventory (stock) in the trading section. For example closing inventory (stock) was often stated as \$32 000 without the unrealised profit. A less common error was to add the increase in provision for unrealised profit and/or to omit the manufacturing profit.
- (b) Only a few candidates correctly presented the extra from the balance sheet for inventory (stock). Although some calculated the finished goods correctly, many forgot to include the inventory (stock) of raw material.
- (c) The majority of candidates correctly calculated the costs although a few calculated contribution instead. Another common error was to add the costs together as a final answer.
- (d) This part of the question proved testing for most candidates. The importance of clear workings was most evident in this part of the question; quite often the workings were jumbled and confused with no final valuation given. Unclear workings make it difficult for Examiners to award part marks for correct values or approaches to the problem. Common errors included just stating the number of units in inventory (stock) rather than give a monetary value to the inventory (stock) or using the selling price to value the items of inventory (stock) sold.
- (e) Many candidates did not know the answer or they incorrectly identified SSAP 9 as the standard.

Question 3

This question produced better answers and showed that candidates were well prepared for a question on this topic.

- (a) (i) This part of the question was well answered, although a common, but basic, error was to include depreciation in the calculation of net cash flows.
- (ii) Generally this was well attempted although a common error was to omit the adjustment for working capitals of \$10 000 and \$18 000 to the calculation of the average capital. Candidates must also remember to state the final answer correctly as a percentage.
- (iii) The payback calculation was often correct although candidates are reminded to show all workings and to state their answer correctly using the correct rounding. The rounding was especially important here as the paybacks were so close. So answers of 2.8 years and 2 years and 10 months for both A and B were not accurate enough. Confusion also arose over the treatment of working capital and some candidates incorrectly calculated a discounted payback.
- (b) The net present value was often clearly presented and correctly calculated. Candidates also adjusted for the working capital correctly.
- (c) There was generally a good understanding of the limitations of each method. However, a few candidates just gave definitions of the methods rather than identifying the limitations.

- (d) There were many valid points which could have been made from the candidates' own calculations but the final judgement should have been based on the result of the net present value. Candidates generally scored well in this part of the question.

ACCOUNTING

Paper 9706/43

Problem Solving 43 (Supplement)

General comments

In general, the standard of candidates' responses to questions showed that candidates had been better prepared for the examination. There were fewer poor scripts and well prepared candidates were able to score very high marks. Candidates' responses seemed to indicate that well prepared candidates had access to all the available marks.

Overall, the degree of difficulty was similar to previous papers but **Question 3** proved to be the most testing for candidates. All of the questions achieved the intended differentiation with a wide range of marks being scored.

Pleasingly, there has been an increase in the use of workings. The showing of detailed workings cannot be emphasised too strongly, for example, when calculating ratios or calculating the capital account balance to be shown in the balance sheet of a partnership. Workings must be clearly shown and used within the final answer.

There was no evidence to suggest that candidates had run out of time or that candidates had to hurry to complete the paper. Layouts continue to improve. There are however, still a significant number of scripts that were poorly presented. The main problem seemed to be either untidy workings presented with little or no logical thought or illegible alterations. When workings are not clear it is difficult for the examiner to identify and award marks for those parts of the calculation which are correct or to award marks for the correct use of a candidate's own figures.

Comments on specific questions

Question 1

This question provided a wide range of marks.

- (a) Generally candidates answered this part of the question well. Candidates used a variety of layouts for their answer to the capital accounts including showing the content in a vertical format. The most common error was to bring the \$100 000 value of premises in as an opening balance for a partner. Most candidates calculated and treated the goodwill correctly.
- (b) There was a variety of approaches to this part of the question. It was disappointing to see that several candidates produced an amalgamated income statement (trading, profit and loss account) instead of producing two separate ones, one for each part of the year, pre and post partnership changes.

Those candidates who failed to split the income statement correctly had errors for depreciation and rent. Other common errors within the appropriations were to miscalculate the interest on capital forgetting to split the amount between the two periods of time and forgetting to account for only 6 months of salary. Candidates are reminded to show **all** their workings at all times and to incorporate all of their workings within their answer.

- (c) This part of the question was answered well, with candidates using their figures from part (b). A common error was to include goodwill.
- (d) There were some fair answers to this part of the question with candidates giving valid evaluations. However, the majority of candidates tended not to address the scenario as required and gave general responses.

Question 2

The well prepared candidates were able to score high marks on this question.

- (a) The most testing calculation was in this part of the question and involved the calculation of the preference dividend. The rest of the question was generally answered well. The most common error was to state the operating profit as \$62 000 instead of calculating it as 16 x the interest (calculated as \$200 000 x 6%). A less common error was to calculate the taxation as 20% of operating profit.
- (b) This was well answered but many candidates failed to correctly label the share capital showing both the amount in dollars and the number of shares. Generally the non-current (fixed) assets and debentures were shown correctly.
- (c) Most candidates were aware of the formulae for the required ratios but lost marks due to apparent carelessness especially with the rounding of the answers. It should be remembered that answers must be correctly stated either as times, percentage or X:1, as specified in the question.
- (d) This part of the question proved testing for most candidates. Better candidates scored well as they could make valid evaluative comments based on the results but less well prepared candidates gave general statements or just described the result by stating it was 'higher' or 'lower' without any valid comment.

Question 3

This question provided the greatest range of marks.

- (a) Most candidates were able to calculate machine hours, labour hours and direct material cost but relatively few calculated the overhead absorption rates correctly due to using an incorrect numerator. A common error was to state the absorption rates per product and not combined.
- (b) There were very few fully correct answers to this part of the question with the most common error being the omission or miscalculation of the overheads component. Some candidates missed it out altogether and just calculated the profit mark-up of 50% on the direct materials and labour.
- (c) There was some confusion in the explanations by some candidates but generally the responses were satisfactory.
- (d) Most candidates were able to calculate the materials price variance and labour rate variance but few dealt with the materials usage variance and labour efficiency variance correctly. The total variances were usually correct when based on the candidate's own figures. Some candidates forgot to state the direction of each variance.
- (e) This part of the question was answered reasonably well although a significant number of candidates subtracted the adverse variance from the actual selling price. A variety of approaches were used, from per unit to using total figures, and then dividing by 1600 units.
- (f) This part of the question was answered well. Most candidates had a good understanding of the advantages of using budgets.

