

# ACCOUNTING

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<p><b>Paper 0452/12</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>C</b>	21	<b>A</b>
2	<b>C</b>	22	<b>D</b>
3	<b>A</b>	23	<b>D</b>
4	<b>D</b>	24	<b>A</b>
5	<b>D</b>	25	<b>B</b>
6	<b>B</b>	26	<b>D</b>
7	<b>D</b>	27	<b>D</b>
8	<b>A</b>	28	<b>D</b>
9	<b>A</b>	29	<b>C</b>
10	<b>B</b>	30	<b>C</b>
11	<b>B</b>	31	<b>C</b>
12	<b>C</b>	32	<b>B</b>
13	<b>A</b>	33	<b>B</b>
14	<b>D</b>	34	<b>C</b>
15	<b>D</b>	35	<b>A</b>
16	<b>C</b>		
17	<b>B</b>		
18	<b>B</b>		
19	<b>A</b>		
20	<b>B</b>		

## **Key messages**

Candidates should be familiar with all the topics on the syllabus and possess a thorough knowledge and understanding of accounting.

To have a clear understanding of what is required, it is important for candidates to read through each item very carefully before selecting an option on the answer sheet.

## **General comments**

Many candidates possessed a good understanding of double-entry bookkeeping and were able to select the correct key to many items on the paper.

### **Comments on specific questions**

#### **Question 4**

The majority of candidates appreciated that the machinery account is debited with the cost of any machinery purchased (\$10 000 in this scenario). It was stated that \$10 000 was paid immediately from the trader's personal bank account. This represents capital introduced so would be credited to the capital account. The amount outstanding would be credited to the account of the supplier of the machinery. The Key was **D**.

#### **Question 6**

This question was designed to test understanding of both double entry and the use of different ledgers. When goods are returned to a supplier they are debited to the supplier's account and credited to the purchases returns account. The purchases returns account is maintained in the general ledger and the accounts of suppliers are maintained in the purchases ledger. The Key was **B**.

#### **Question 8**

It was expected that candidates would understand that any transaction which is not recorded in any other book of prime entry is recorded in the general journal. Options **B** and **C** both involve a payment that would be recorded in the cash book. Purchases on credit (option **D**) would be recorded the purchases journal. The Key was **A**.

#### **Question 9**

When a petty cash book is maintained using the imprest system the amount received by the petty cashier to restore the imprest is equal to the net amount spent. This ensures that the petty cashier always starts the period with an amount equal to the imprest. In the scenario described the net amount spent equalled \$90 so the Key was **A**.

#### **Question 12**

A trader needed to make a contra entry between an account in the sales ledger and an account in the purchases ledger. This involves debiting the account in the purchases ledger (to reduce the credit balance) and crediting the account in the sales ledger (to reduce the debit balance). The amount to be transferred was \$100 which represented the lower of the two balances. There appeared to be some doubt about the entries required.

#### **Question 17**

Using the data provided, candidates were required to determine the amount by which the total trade receivables and the rate of provision for doubtful debts had changed by the end of a financial year. The total trade receivables account showed a decrease of \$8000 (the difference between the opening and closing balances). The opening provision was \$1200 which represented 4 per cent of the opening trade receivables. The closing provision was \$1100 which represented 5 per cent of the closing trade receivables. This meant that the rate of the provision decreased by 1 per cent.

#### **Question 19**

Many candidates appeared to be unsure of the effects on the financial statements of a payment from a credit customer after cash discount. The expenses in the income statement would increase by the amount of the cash discount. In the statement of financial position, the total of the current assets would decrease. The trade receivables would decrease by the total owed by the credit customer who had settled his/her account and the cash would increase by the actual amount received. The Key was **A**.

#### **Question 21**

The profit for the year of a partnership was \$14 100. After deducting Raj's partnership salary of \$3000 the residual profit was divided \$7400 for Raj and \$3700 for Rohit. The salary and the profit share would be credited to Raj's current account. The credit balance on Raj's current account at the start of the following financial year would be \$8600 (option **A**).

### Question 25

Approximately half of the candidates appeared to be unsure about what the entries in a subscriptions account represented. A balance brought down on the debit side represents subscriptions owed to the club by members and a balance carried down from the debit side to the credit side represents subscriptions prepaid by members. The subscriptions for the year are transferred to the income and expenditure account and the amount received from members is credited to the subscriptions account and debited to the bank account. The Key was **B**.

### Question 28

It was anticipated that most candidates would correctly calculate the profit for the year. This is found by deducting the opening capital from the closing capital and adding back the trader's drawings.

### Question 29

Either an arithmetic calculation or a trade receivables account could be used to calculate the missing figure of credit sales. The decrease in the amount due from trade receivables should have been deducted from the total of the receipts, discount, and returns. In this scenario only the difference between the opening and closing balances was given, not the individual amounts. If a candidate is doubtful how this should be treated it is suggested that they insert figures for the opening and closing balances which have a difference of \$2000. For example, an opening balance of \$62 000 and a closing balance of \$60 000 could be used.

### Question 31

Candidates were expected to understand what would cause an increase in the liquid (acid test) ratio. Inventory is not included in the calculation of this ratio, so it is not directly affected by any changes to inventory. If a trader decreases the provision for doubtful debts, the amount anticipated to be received from trade receivables increases, which results in an increase in the liquid ratio.

# ACCOUNTING

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Paper 0452/22  
Paper 22

## Key messages

It is important that candidates read through each question very carefully before attempting an answer. This will ensure that an important piece of data is not overlooked and that instructions can be followed precisely. Marks will not be awarded for a factually correct statement which is not the answer to the question being asked.

Calculations should be shown where appropriate. This enables some of the available marks to be awarded even if the final answer is incorrect.

The spaces provided on the question paper should be adequate for candidates' answers. Some candidates found more space was required as they re-wrote part or all of their answer. Most of these candidates correctly indicated that part or all of the answer was provided elsewhere on the question paper. A note '*Please refer to Page...*' or '*Continued on Page...*' ensures that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations. For example, in financial statements, it is not acceptable to use 'COGS' for 'Cost of goods sold' and 'NP' for 'Profit for the year'. For example, in ledger accounts, it is not acceptable to use 'b/d' or 'bbd' for 'Balance'.

It is extremely important the candidates pay attention to their handwriting to ensure that all the words and figures are legible.

## General comments

All the questions on the examination paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all the questions and were familiar with the correct format of financial statements.

Double entry bookkeeping forms the basis of all day-to-day records of a business. This means that it is very important that candidates have a thorough understanding of double entry and the ability to apply this to various scenarios. For each entry in a ledger account it is important to enter the date, details and amount.

The syllabus requires the inclusion of questions in which candidates are required to discuss a given scenario and recommend a course of action. Candidates are advised to think very carefully before attempting these questions and make a list of the points they want to include. It should then be possible to construct a coherent response in which the points are made in a logical sequence (advantages/disadvantages, or advantages of one course of action followed by advantages of another course of action) and a clear recommendation is made. Those candidates who had only a limited understanding of detailed financial statements and accounts were often able to apply logic to a given scenario and so able to earn reasonable marks.

### Comments on specific questions

#### Question 1

- (a) Using the information provided, candidates were required to write up a sales journal. Most candidates correctly listed the three items of credit sales. A number of candidates incorrectly included the irrelevant items of cash sales and sale of a non-current asset.

Candidates are reminded that a sales journal is a list of names of customers to whom credit sales were made, the value of the sales and the dates on which the sales were made. A significant number of candidates attempted to show entries which may appear in the general journal.

The question required candidates to total the journal and to indicate the ledger account to which the total would be posted. Whilst most candidates totalled the journal, they omitted the date and did not indicate that the total would be posted to the sales account.

- (b) A cash book had to be prepared from information provided. This is a standard type of question at this level and candidates should have been able to earn high marks. Candidates are reminded that only transactions involving receipts and payments (and any related cash discount) are entered in a cash book. A large number of candidates incorrectly included credit sales, credit purchases and purchases returns. The word(s) in the 'details' column should be the name of the account in which the double entry will be made, so words such as 'sale of office fittings' were not acceptable.

Cash sales paid directly into the bank caused a few problems. This could have been debited directly into the bank column or it could have been debited in the cash column and a contra made to transfer the money into the bank. Both approaches were acceptable.

It was expected that candidates would be aware that the discount columns should be totalled, not balanced. Candidates should have also been aware that it is not possible to have a credit balance brought down in the cash column.

- (c) A ledger account of a credit supplier had to be prepared from information provided. This should have been a straightforward question, but a number of candidates completely reversed the account, or referred to sales and sales returns rather than purchases and purchases returns. Sometimes dates were omitted. A payment was made in cash, so it was incorrect to use the word 'Bank' in the details column.

It was expected that candidates would understand that trade discount does not appear in the ledger and only the net amounts of purchases and purchases returns are entered in the supplier's account. A large number of candidates either included the gross amounts or made separate entries for the net amounts and the trade discount.

- (d) Candidates were required to complete a table to indicate the document a supplier would issue when goods were returned. Most candidates gave a correct answer.

#### Question 2

- (a) A list of balances was provided and candidates were required to prepare the income statement of Zamir, who provided legal services. Most candidates understood how the statement should be presented, but some candidates incorrectly attempted to prepare a trial balance. The weaker responses often included irrelevant items in the statement such as assets and liabilities.

The calculation of the rent and rates for the year proved to be difficult. The notes clearly stated that the annual rent was \$16 000 so this is the figure which should have appeared in the income statement. The notes stated that rates of \$6000 were paid during the year and that there was an accrual of two months of rates, which amounted to \$1260.

The calculation of the depreciation also caused some problems with many candidates not deducting the cost of the equipment sold before calculating the 15 per cent annual depreciation.

The loss on disposal was \$260. This represented \$1540 (the total of the depreciation to date and the proceeds of sale) minus the cost of the equipment of \$1800.

Where calculations were shown it was possible to earn some of the available marks for these items.

- (b) Candidates were required to prepare the assets section of a statement of financial position. This proved to be very difficult for the majority of candidates.

The non-current assets were usually presented in columns, but the majority of candidates did not insert column headings so there was no indication of what the three figures represented. A large number of candidates incorrectly used the figures for cost and depreciation from the list in the question and did not make any adjustment for the disposal of the equipment or the depreciation for the year.

In the current assets, most candidates correctly deducted the irrecoverable debt from the trade receivables but did not include the other receivables (the prepaid rent).

- (c) Two reasons why a trader required a bank overdraft were required. A number of candidates earned the two marks available. Most provided standard generic answers such as payment of short-term debts. It was rare to find a candidate relating their answers specifically to Zamir.
- (d) Candidates were required to advise Zamir on whether he should offer an employee an increase in salary or offer a partnership. Most candidates were able to earn at least half of the available marks. Some candidates did not make a recommendation of which option Zamir should select.

A large number of candidates forfeited marks as they concentrated on the advantages and disadvantages of a partnership instead of answering the question being asked.

### Question 3

- (a) This proved to be very problematic. Many candidates understood that a suspense account is used to balance a trial balance but were unable to expand this statement. A large number of candidates simply repeated the question.
- (b) Journal entries were required to correct five errors. Many candidates earned high marks.
- A number of candidates incorrectly identified the sales journal and the purchases journal as the accounts required to correct error number 3.
- Error number 5 proved somewhat problematic. Many candidates correctly credited the bank charges account but then made a debit entry in the bank interest received account. These candidates did not appreciate that the bank interest was received and that to correct the error, an entry was also required in the suspense account.
- (c) Most candidates correctly identified the compensating error and the error of omission.
- (d) Candidates were required to complete a table indicating the effect of five errors on the gross profit and the profit for the year. This caused problems for many candidates. Some did not appreciate that amounts of money were required in the understated/overstated columns. Many correctly identified the effect on one of the profits but were not able to identify the effect on the other profit.
- (e) It was expected that candidates would appreciate that unidentified errors could result in a balance remaining on the suspense account.

### Question 4

- (a) The calculation of three ratios was correctly carried out by most candidates. A few did not indicate that the answer to the first one represented a percentage and that the answer to the last one represented a ratio. A small number did not round up the trade receivables turnover to the next whole day.

- (b)(i) A comparison of the trade receivables turnover of two businesses was required. Responses were often limited to repeating the answer to the calculation in (a) and the information in the question relating to the other business and stating that one was higher than the other. Such statements were not regarded as adequate as they did not explain which business had the better ratio or offer suggestions as to why this difference had occurred.
- (ii) Two problems of inter-firm comparison relating to trade receivables turnover were required. Many candidates concentrated on the problems of inter-firm comparison in very general terms and did not relate their answers to the scenario. A large number correctly identified the use of different policies but then incorrectly used an example of depreciation methods.
- (c) Candidates were required to advise a trader on whether to make cash sales only (with a trade discount to regular customers) or to continue selling on credit terms. Most candidates were able to earn at least half of the available marks. Many candidates correctly explained the consequences of trading in cash only. Some candidates did not make a recommendation of which option the trader should select.
- (d)(i) Two reasons why employees would be interested in the financial statements of their employer had to be stated. Many candidates offered acceptable responses.
- (ii) Many candidates earned the two available marks by identifying two users of accounting statements (excluding the owner and her employees).

#### Question 5

- (a) The cost of a trader's closing inventory had to be calculated. A number of candidates earned the two available marks. A common error was to omit the carriage inwards.
- (b) The trading section of an income statement had to be prepared. Common errors included
- Sales (revenue) included as \$39 000 instead of \$150 000
  - Gross margin not applied or incorrectly calculated
  - Figure for cost of sales shown without any identifying label
  - Carriage inwards omitted or incorrectly treated
  - No entry made for the 'missing' figure representing cost of goods taken for personal use
  - Closing inventory (own figure from **Part (a)**) omitted or incorrectly treated
  - Inclusion of irrelevant items such as opening inventory
- (c) Candidates were required to advise a trader on whether she should start to keep a full set of accounting records. Most candidates were able to offer suitable advantages and disadvantages and earned at least half of the available marks. A clear recommendation was made by most candidates.
- (d) A table had to be completed to indicate the book of prime entry which a trader would use in three situations. This task was generally well done.
- (e) A table had to be completed to identify two accounting objectives. Many responses were correct.