

ACCOUNTING

Paper 0452/11
Paper 11

Key messages

It is essential to lay down a good grounding in the principles of double entry including the use of journals and ledgers. Other general points to make are:

- The importance of clear labels.
- The need to indicate the location of any answers not in the allotted space. Please ask candidates to state which page their answer will be on.
- The importance of clear handwriting. Words and digits can become indistinct if overwritten, it is better to cross out incorrect answers and write again separately rather than overwrite on the previous answer.
- If an answer is allocated a small space on the exam paper then this is an indication that the answer should be brief.
- It is important to show workings.

General comments

All the questions on the paper were compulsory and they covered various topics on the syllabus. There was quite a heavy weighting on books of prime entry and double entry. Overall, the paper was well attempted by a number of candidates. There were as always some exceptional scripts where candidates were very successful. The main causes for less successful candidates will be addressed in the following report.

Comments on specific questions

Question 1

Generally **a, d, e, g, i** and **j** were well answered. Parts **b, c, f** and **h** warrant more detailed comments.

- (b) Cindy is a supplier as Jacob is making purchases from her and some of the candidates clearly thought she was a customer so it was the final statement that Jacob owed Cindy \$450 which was correct.
- (c) Many candidates did not seem familiar with this accounting objective and so struggled to choose the correct answer which concerned information being available in time for decisions to be made.
- (f) Solid double entry knowledge was needed here in order to know which error would only cause one side of the entry to be incorrect. The first error should have been debited not credited hence causing the difference. Because different names were used this confused candidates into believing it to be an error of commission which would indeed not alter the totals of the trial balance.
- (h) Candidates needed to consider the impacts on profit and non-current assets. What is more, they had to consider the impacts on both at the same time. It is important to not be distracted by the answers given but to consider the likely answer first and then see which option best suits this.

Question 2

- (a) Generally well answered.
- (b) Mostly correct with less successful candidates choosing Aisha instead of the correct answer of Kadir.

- (c) The most successful answers explained that a reason would be goods returned as damaged, faulty or unsuitable. Common errors were; referring to an overcharge, returned goods with no reason or confirmation of a debit note.
- (d) This was answered well by the more successful candidates. Less successful candidates gave reference to encouraging bulk buying but not to the original price paid. Or they explained that trade discount is a deduction off the list price.
- (e) Generally answered well. Weaker candidates often referred to purchases journal and sales journal or various other books of prime entry. Some missed out on marks by referring to account or ledger.
- (f) A wide range of marks awarded. Successful candidates often gained 3 or 4 marks. Common errors included identifying purchases returns journal in respect of the debit note, identifying general journal in respect of the statement or choosing a book of prime entry seemingly at random.
- (g) A wide range of marks awarded. Successful candidates usually gained 6 or 7 marks. Among other candidates marks were often lost for the following reasons; unclear narratives for example discount allowed instead of discount (received), incorrect figure for purchase return the \$3540 was used instead, reversal or omission of entries, incorrect dates or balances brought down on both sides.
- (h) Almost all correct here with the occasional answer of sales or general. No mark was awarded if there was reference to account or books of original entry.

Question 3

- (a) Answered reasonably well. Less successful candidates lost marks due to the following; vague answers such as to see where the money goes, reference to reducing or correcting errors, preventing fraud and total sales and total purchases.
- (b) Again a wide spread of marks awarded. Most candidates correctly identified that purchases returns are entered in the purchases returns journal but less successful candidates often struggled with the other types of entry. No marks for reference to account or ledger.
- (c) This question identified the more successful candidates who often gained 2 marks. Less successful candidates often lost marks due to vague answers, answers relating to the cash book or repeating the same point twice.
- (d) Successful candidates frequently gained 2 marks. Less successful candidates lost marks due to referring to underpayment or inadequate answers such as referring to cash discount but not making payment before the cash discount was subtracted. The most common correct answers were overpayment and prepayment.
- (e) A very wide range of marks awarded. The more successful candidates often gained full marks and less successful candidates gained zero marks for incorrect entries or complete reversals. Other candidates lost marks due to the inclusion of cash sales and provision for doubtful debts, poor labels such as receipts instead of bank, entering \$80 balance b/d but not having a balance c/d and contra entry on both sides.

Question 4

- (a) Again, a wide spread of marks. Some candidates knew how to deal with opening balances and others did not. Candidates could still gain 2 or 3 marks for completing journal entries. Marks were lost for unclear narratives such as labelling as purchases rather than inventory or showing capital and or bank loan as debit items. The narrative needed to be an overall comment rather than 1 for each entry.
- (b) Most candidates gained at least 1 mark here. A narrative should explain reasons to allow understanding and then be used for reference to help identify out of the ordinary transactions and remind users of reasons. Some candidates thought that it would result in fewer errors, which is not necessarily the case.

- (c) Many candidates gained 4 marks. The reason marks were lost was due to incorrect labels such as private motor car, reversal of entries and omission of some entries. Some gave the label inventory instead of purchases.
- (d) A wide spread of marks awarded here. Successful candidates often gained 5 marks. Reasons for loss of marks included; incomplete dates, complete or partial reversal and no income statement entry or not including the balance b/d of \$1000.
- (e) Most candidates had the general idea that the amount on the income statement was not the actual amount paid but gave vague explanations. A general definition was allowed here but often the candidates must clearly link the concept to whichever expense or income is being asked about.
- (f) A wide spread of marks awarded with successful candidates commonly gaining 4 or 5 marks. Marks were lost due to complete or partial reversal, poor dates, confused entries related to 2 attempts to balance off, placing \$310 bal b/d on credit side or labelling income statement as bank.

Question 5

- (a) This was answered reasonably well. Candidates lost the mark if they did not refer to the facilities, activities or services gained.
- (b) Successful candidates often gained 5 marks, and the most successful provided an answer that was clearly presented either as a calculation or as a subscription account. Less successful candidates lost marks due to omission of required elements of the calculation or inclusion of incorrect amounts or incorrect addition or subtraction of elements.
- (c) Many gained 3 or 4 marks for answers that included calculating the increase, \$1000 or discussion of effects on membership. Less successful candidates lost marks for a variety of reasons including confusion on the impact of increased subscriptions on the bank account, general points about the income and expenditure account rather than improving income or surplus or decreasing possible deficits and no calculation of possible change.
- (d) The more successful candidates understood that they needed to compare differences between statements and gained 4 marks. Often a comment was made about one but not the other and this comparison was required to gain marks. Some confused the income and expenditure account with the income statement and made reference to profits. The key word in the question was differs and this was at times not picked. So, although some candidates did have the correct knowledge they could not access the marks as no comparison was made.
- (e) A wide range of marks here. The most successful candidates gained 5 marks. 0 marks are awarded if there are multiple ticks applied.

Question 6

- (a) Some candidates gained 0 marks by either completing a trial balance or a statement of financial position. Successful candidates gained 13 or 14 marks. Marks were lost for the inclusion of trade receivables, drawings or office equipment, omission of rent received or expenses, incorrect adjustment of expenses, unclear labels such as loan instead of loan interest or lack of label for profit for the year and fees from client labelled incorrectly as sales or revenue. Some calculated depreciation incorrectly or used the existing provision for depreciation amount. Some struggled with provision for doubtful debts and did not include the change.
- (b) The most successful candidates sometimes gained 3 marks.
- (c) This was answered reasonably well. Marks were lost due to imprecise answers such as decrease in expenses or increase in revenue but no reference to profit. Some reversed the answer and others referenced working capital instead.
- (d) Generally very well answered. Sharing payments was too vague.
- (e) Interest on drawings was not rewarded as some partners will gain from this arrangement. Also it is important to note that sharing of profits is rewarded but not reduced as this may not be the case. Also unlimited liability is not rewarded as this would be the same if Amrit remained a sole trader.

- (f) Generally answered well. A high number of candidates gained 6 marks. Errors included subtraction of interest on drawings and addition of interest on capital, failing to subtract partner salary, incorrect calculation of interest and sharing the initial profit rather than the adjusted one. Candidates did not gain marks from simply calculating the correct interest amounts, they then had to treat them appropriately.

ACCOUNTING

Paper 0452/12
Paper 12

Key messages

Candidates should always have a guess at multiple choice questions and never offer 'no response'.

As always, when preparing ledger accounts labels such as BBD and BD are unacceptable. Ideally balance b/d or c/d should be written.

Labelling items is extremely important when preparing income statements or statements of financial position. Again, abbreviations such as COGS for cost of goods sold or GP for gross profit are not acceptable.

Candidates should always indicate where they may have re-written an answer in a different section of the answer booklet or on additional pages.

General comments

The paper was well attempted by a number of candidates. The number of candidates not attempting questions is reducing and candidates generally completed the paper. However, the main causes for candidates not being awarded marks relates to the key messages above and will be commented on below.

Comments on specific questions

Question 1

This question comprised ten multiple choice items. There were only a few instances where candidates made no attempt at a particular answer. It is mentioned each time, but worth repeating, never leave an answer blank in this type of question. A guess may be correct and gain a mark.

Specific questions were more demanding than others. They are discussed below.

- (f) When questions are asked on a partnership profit and loss appropriation account the responses are generally speaking very positive. However the steps required to calculate one partner's total income are sometimes forgotten when the question is in a multiple choice format.
- (g) It may help candidates to practise writing out each of the errors on a trial balance to see where changes would occur.
- (j) A question involving inventory valuation. Many candidates seemed unaware that the 60 units of undamaged inventory should be valued at cost and not the retail value of \$19.

Question 2

- (a) Many candidates did very well with this question with correct narratives, analysis and totals. Many generally successful candidates, however, lost the mark for dates due to giving 30th January and not 31st. Less successful candidates did not provide totals and consequently did not extract a closing balance to be carried down and brought down. Questions on the petty cash book are regularly asked and candidates must be encouraged to be aware of the detail needed to score highly.

- (b)(i) Many candidates identified the correct answer. Disappointingly there were some candidates who despite performing well in (a) often used the balance of \$16 to restore the imprest amount. A small number used \$150 as the amount needed.
- (ii) Many candidates did not provide the correct double entry to restore the petty cash. Sometimes figures only were given, entries reversed, and/or reference was made to petty cash book or imprest.
- (c) Very few candidates achieved two marks for this question. Those candidates that identified the correct entries sometimes lost the marks due to incorrect dates. Less successful candidates repeated the expense for the narrative and gave multiple entries rather than the total of the analysis columns.
- (d) It was very encouraging to see that a large number of candidates achieved full marks for this question. A small number lost marks due to incorrect narratives particularly for not identifying Laila for the credit transfer. Less successful candidates re-entered the items not recorded on the bank statement.
- (e) Some candidates did not acknowledge that the updated cashbook balance from (d), though correctly calculated, was an overdraft. Many other candidates were less successful in the presentation of a reconciliation statement and provided a ledger account or a list of transactions. There was also some re-entering of the items not entered in the cashbook.

Question 3

- (a) This question required candidates to acknowledge who was the seller and who was the buyer. If this was established correctly candidates performed well in both (a) and (b). Many successful candidates scored full marks for (a). However it was clear that a number of candidates were confused as to how the documents would be treated in Azuel or Tumelo's books and reversed purchases and sales. Many thought that the debit note required an entry. Less successful candidates offered 'ledger' for the book of prime entry.
- (b)(i) Many correct answers here. A small number suggested credit note which then followed through to the explanation in (iii). Statement of Financial position was given by a small number.
- (ii) A high number of correct answers to this question.
- (iii) Many good answers. The most common answer to this question was 'to remind the customer of the amount due'. Most candidates understood that the statement of account contained all the transactions between buyer and seller.
- (iv) Only a small number reversed buyer and seller in this question.
- (v) A high proportion of correct answers to this question. Less successful candidates failed to add back the discount to the payment and this resulted to an answer of 2.04%.
- (vi) Excellent responses to extracting the balance of \$280.
- (c) Candidates, on the whole, did not explain the reason for the statement not being used as a source document with a large number repeating their answer to (b)(iii). Very few acknowledged that the entries on the statement had already been entered in the books of account from original source documents and that the statement was a summary of those documents.
- (d) Candidates generally performed well with this question with many being awarded 3 marks. It was again clear that some candidates did not appreciate the relationship between Azuel with Tumelo and Lerato and reversed the ledgers.

Question 4

- (a) There were many fully correct answers to this question including appropriate narratives. Less successful candidates either reversed the entries or omitted the narrative. Candidates must be encouraged to review the question to ensure all aspects are complete in order to be eligible to gain marks. A small number of candidates misunderstood who the debtor was and named Gary.

- (b) Many candidates were able to identify one debit entry, cash. The other debit entry was commonly labelled as computer rather than office equipment. The credit entry was often identified as 'bad debts' or 'Sally' and entries were frequently reversed.
- (c) There were some excellent presentations of the provision for doubtful debts accounts including correct dates and the balance brought down. Some candidates chose to commence the account in the previous year with an income statement amount of \$910, others used the \$950 as the income statement amount which resulted in a closing balance of \$1860. Less successful candidates did not know how to handle this topic and used the trade receivables balances within the account.
- (d) The most common answers were prudence and accruals with appropriate explanations of both. Consistency was also offered. However a small number did not understand the implication of maintaining a provision for doubtful debts and gave reasons such as to ensure that the trade receivables paid their debts.
- (e) There was a high proportion of No Response and many candidates merely used the figure \$326 in various combinations of overstated/understated. It was noted that despite candidates performing well in (c), they often did not recognise the effect on the profit and the current assets of omitting the adjustment to the provision for doubtful debts. It was frequent to see \$950 here. Relatively few identified the effect of the bad debt recovered on the current assets and this was often stated as \$440.

Question 5

- (a) Candidates were confident in their explanations of shareholders only being liable for the amount they had invested in the business. Very few recognised that the company was a separate identity from the shareholders.
- (b) Again many candidates achieved one mark for this question with the most common answer being the ability to raise more capital or obtain a loan. Some candidates did not acknowledge a limited liability company and referred to partners and the advantages of forming a partnership e.g. more experience, skills and sharing the risk.
- (c) (i)(ii) Most candidates made a reasonable attempt at explaining these two terms. Less successful candidates answered that amounts requested and paid up were made to the shareholders.
- (d) This question was generally competently answered with many giving two valid features of ordinary shares. A small number were muddled between interest and dividends and the right to vote.
- (e) Similarly many candidates were able to give two very valid features of debentures.
- (f) This question was generally well attempted with most candidates. A small number lost marks due to entering additional ticks where that were not required.

Question 6

- (a) This question was generally well attempted by the majority of candidates. Some candidates created a trading section using the inventory figure given. Many candidates omitted the bad debts and the discount received. Wages was generally calculated correctly but the rates and insurance sometimes was not. It was common to see \$2600 or \$800 either adding or deducting the \$900 rather than deducting for the prepayment of \$180. Other candidates lost marks for not being precise enough with narratives for depreciation. Less successful candidates included drawings in the income statement.
- (b) It is important to understand the meaning of working capital and the components needed for current assets or current liabilities. For those candidates that did acknowledge current assets and current liabilities it was common for the other receivables and payments to be omitted and few recognised the need to reduce trade receivables by the bad debt of \$190. In some cases non-current assets and capital were included.

- (c) A large number of candidates were successful in giving ways to improve Pavita's working capital. Less successful candidates offered answers such as increase current assets or decrease current liabilities.
- (d) Many candidates were awarded marks to this question under the 'own figure' rule using their answers from (b). There were however many No Responses. Most candidates who attempted the question acknowledged the requirement to calculate to two decimal places.
- (e) A large number of candidates were able to give a precise formula for trade receivables collection period. A small number incorrectly multiplied by 12 or 30.
- (f) A large number of candidates arrived at the correct answer of 27 days despite using the original figure of \$8940. The deduction of bad debts, \$190, was ignored by many.
- (g) This was generally very well answered with a variety of ways Pavita's trade receivables could be improved. A small number were not awarded the mark due to not being precise enough. For example it is not adequate enough to say 'offer cash discount' without specifying for early payment. A number of candidates believe that the collection period could be improved by setting a credit limit or reducing credit sales.
- (h) Again many correct answers to this question
- (i) A large number of candidates achieved full marks for this question.
- (j) Candidates did not seem to appreciate that the question was referring to whether the trade payables would be satisfied with Pavita taking 43 days to pay her debts. Many combined this with her trade receivables collection period and referred to retaining cash funds before paying debts. Others wrote that it was an advantage to paying her debts so late.

ACCOUNTING

Paper 0452/13
Paper 13

Key messages

It is essential to lay down a good grounding in the principles of double entry including the use of journals and ledgers. Other general points to make are:

- The importance of clear labels.
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General comments

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Question 1

Generally **a, d, e, g, i** and **j** were well answered. Parts **b, c, f** and **h** warrant more detailed comments.

- (b) Cindy is a supplier as Jacob is making purchases from her and some of the candidates clearly thought she was a customer so it was the final statement that Jacob owed Cindy \$450 which was correct.
- (c) Many candidates did not seem familiar with this accounting objective and so struggled to choose the correct answer which concerned information being available in time for decisions to be made.
- (f) Solid double entry knowledge was needed here in order to know which error would only cause one side of the entry to be incorrect. The first error should have been debited not credited hence causing the difference. Because different names were used this confused candidates into believing it to be an error of commission which would indeed not alter the totals of the trial balance.
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Question 2

- (a) Generally well answered.
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- (a) Again, a wide spread of marks. Some candidates knew how to deal with opening balances and others did not. Candidates could still gain 2 or 3 marks for completing journal entries. Marks were lost for unclear narratives such as labelling as purchases rather than inventory or showing capital and or bank loan as debit items. The narrative needed to be an overall comment rather than 1 for each entry.
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- (c) Many candidates gained 4 marks. The reason marks were lost was due to incorrect labels such as private motor car, reversal of entries and omission of some entries. Some gave the label inventory instead of purchases.
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- (a) This was answered reasonably well. Candidates lost the mark if they did not refer to the facilities, activities or services gained.
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- (c) Many gained 3 or 4 marks for answers that included calculating the increase, \$1000 or discussion of effects on membership. Less successful candidates lost marks for a variety of reasons including confusion on the impact of increased subscriptions on the bank account, general points about the income and expenditure account rather than improving income or surplus or decreasing possible deficits and no calculation of possible change.
- (d) The more successful candidates understood that they needed to compare differences between statements and gained 4 marks. Often a comment was made about one but not the other and this comparison was required to gain marks. Some confused the income and expenditure account with the income statement and made reference to profits. The key word in the question was differs and this was at times not picked. So, although some candidates did have the correct knowledge they could not access the marks as no comparison was made.
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Question 6

- (a) Some candidates gained 0 marks by either completing a trial balance or a statement of financial position. Successful candidates gained 13 or 14 marks. Marks were lost for the inclusion of trade receivables, drawings or office equipment, omission of rent received or expenses, incorrect adjustment of expenses, unclear labels such as loan instead of loan interest or lack of label for profit for the year and fees from client labelled incorrectly as sales or revenue. Some calculated depreciation incorrectly or used the existing provision for depreciation amount. Some struggled with provision for doubtful debts and did not include the change.
- (b) The most successful candidates sometimes gained 3 marks.
- (c) This was answered reasonably well. Marks were lost due to imprecise answers such as decrease in expenses or increase in revenue but no reference to profit. Some reversed the answer and others referenced working capital instead.
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- (e) Interest on drawings was not rewarded as some partners will gain from this arrangement. Also it is important to note that sharing of profits is rewarded but not reduced as this may not be the case. Also unlimited liability is not rewarded as this would be the same if Amrit remained a sole trader.

- (f) Generally answered well. A high number of candidates gained 6 marks. Errors included subtraction of interest on drawings and addition of interest on capital, failing to subtract partner salary, incorrect calculation of interest and sharing the initial profit rather than the adjusted one. Candidates did not gain marks from simply calculating the correct interest amounts, they then had to treat them appropriately.

ACCOUNTING

Paper 0452/21
Paper 21

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded credit.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some credit may be earned even though the final answer may be incorrect.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note 'Please refer to Page.....' or 'Continued on page.....' would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as 'b/d' for 'balance' in ledger accounts and 'PFDD' for 'Provision for doubtful debts'.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit' etc.

It is also important that candidates present their figures clearly and that their written work is legible.

General comments

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

It is very important for candidates to provide clear and unambiguous written answers to the narrative questions. Accounting is a subject in which precision is extremely important.

All the day-to-day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in the account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

(a) Candidates were asked to complete a cash book. Most candidates attempted this question with varying levels of success. The most successful candidates were able to score full marks. Those who were not so successful either did not complete all the entries or made several errors:

- the cheque received from Jason shown gross rather than net of cash discount
- the payment from Bella omitted
- incorrect calculation of the cash discount and net amount paid to Ellie
- insurance payment recorded in the cash column rather than bank column

- incorrect narrative for the dishonoured cheque – the entry needs to reflect the name of the account where the corresponding double entry can be found.
- (b) Some candidates did not recognise that the opening credit balance in the bank column of the cash book represented a bank overdraft. Answers focused on it being the opening balance brought forward.
- (c) The more successful candidates were able to correctly explain that the entry made in the cash book on 2 August 2019 represented cash being withdrawn and transferred to the petty cash book.
- Many answers focused on it being the restoration of the imprest amount without mentioning that it was cash being transferred to the petty cash book. This does not describe the double entry in sufficiently precise terms to gain a reward.
- (d) The question asked candidates to explain the entries made on 30 August. Most candidates knew that it was money being transferred from the cash to the bank account for one mark. The more successful candidates earned the second mark knowing that this represented a contra entry.
- (e) Candidates were required to prepare a bank reconciliation statement and determine the balance on the bank statement. There were some completely correct answers but common errors included:
- incorrect amount for the balance on the cash book – some candidates used the total amount of the bank column from their cash book rather than the closing balance
 - amounts added when they should have been deducted and vice versa
 - incorrect labelling of items
 - including extraneous items in the statement such as items included in the bank statement but had not been recorded in Sophie's records.
- (f) Candidates were asked to give two reasons for preparing a bank reconciliation statement. It is important that responses are clear and not generic. Statements such as 'to locate errors/missing items' or 'to identify errors in the cash book' were not regarded as being acceptable. It is important that candidates are precise in their answers and are aware that it is the bank column in the cash book that should be mentioned, and not just the cash book when discussing where errors might occur.
- (g) This was answered well with most candidates knowing the transactions that would be recorded in Sophie's cash book and also recorded in the sales, purchases and nominal ledgers.

Question 2

- (a) Using information provided, candidates were asked to complete a statement of changes in equity. This was well answered. Some common mistakes included:
- incorrect/incomplete narratives in the details column
 - dates entered in the detail column rather than the appropriate narratives
 - final dividend added rather than deducted.

It is important that candidates remember that the statement of changes in equity is designed to communicate with internal and external users of accounts and therefore clarity is important. For instance, a date in the statement of changes of equity is unhelpful but a description such as 'final dividend paid' is clear.

- (b) Candidates were required to prepare a statement of financial position of a limited company.

Most candidates were able to earn some marks for this element. Common errors included:

- no headings for the non-current asset section 'cost', 'accumulated depreciation' and 'net book value' when using the three column method to record the non-current assets
- provision for doubtful debts not shown as a deduction from trade receivables or included incorrectly in current liabilities
- bank loan repayable within 12 months included in the non-current liabilities rather than current liabilities section

- a total figure only for the equity and liabilities section rather than the breakdown showing the amounts for ordinary shares, general reserve and retained earnings.
- (c) Candidates were asked to explain why the difference between the gross profit percentage and the percentage of profit to revenue is an indication of the efficiency of the firm. The less successful candidates did not answer the question being asked and focused on providing an explanation of the gross profit percentage and the percentage of profit to revenue but did not recognise that the difference between the two percentages represents the 'expenses to revenue percentage'.
- (d) Candidates were asked to state what is measured by the return on capital employed (ROCE). The most common incorrect answer was 'the profit earned for every \$100 invested' but not all funds used in the business are from money invested by the business owners. Some candidates simply gave the formula for ROCE. It is important that candidates take time and read the question carefully before answering to ensure they are providing an answer to the question being asked.
- (e) Most candidates knew that by extending the loan repayment date, the return on capital employed would decrease because the non-current liabilities (capital employed) increased.

Question 3

- (a) Using data provided, candidates were required to prepare an income statement of a manufacturing business and to insert the missing figure for purchases of finished goods. The gross profit margin was given in the question allowing candidates to calculate the gross profit and cost of sales. Although most candidates had a good understanding of the format required and which items of expenditure should be included before and after the gross profit figure, only a few candidates earned full marks. The main reasons for this were:
- incorrect calculation of cost of sales and gross profit
 - cost of production omitted from the cost of sales section
 - carriage inwards on finished goods either omitted or not in the correct position in the cost of sales section
 - closing inventory not deducted from the total cost of goods available for sale
 - accumulated depreciation included in the expenses rather than the depreciation for the year.
- (b) Candidates were required to discuss the effect on the gross profit of four proposals.

Most candidates were able to earn one of two marks available for each proposal for correctly stating whether the gross profit would increase or decrease. However, the less successful candidates did not provide enough detail as to why the increase or decrease might have occurred.

Question 4

- (a) Using the data provided, candidates were required to calculate the amount paid to credit suppliers. An arithmetic calculation or a 'T' account were equally acceptable formats. This question was well answered by most candidates. For those who were less successful, it was because they had reversed the adjustments and/or included extraneous items in their calculations.
- (b) Similar to 4(a), candidates were asked to calculate the figure for credit sales for the year ended 31 July 2019. An arithmetic calculation or a 'T' account were equally acceptable formats. This question was well answered by most candidates. For those who were less successful, it was because they had reversed the adjustments and/or included extraneous items in their calculations.
- (c) This was well attempted, with most candidates being able to recognise that they needed to use their answer from **part (b)** to calculate the amount of money paid into the bank from cash sales.
- (d) Candidates had to prepare the bank account for the year ended 31 July 2019 and to insert the missing figure representing drawings. Common errors included:
- incorrect narratives in the detail columns particularly for the amounts received from/paid to 'credit customers'(trade receivables) and 'credit suppliers' (trade payables)
 - descriptions of the transaction rather than the ledger account name in the details column e.g. 'purchase of non-current assets' rather than 'non-current assets'

- extraneous items included in the account e.g. discount allowed and received
- no entry for the missing figure for drawings
- closing balance carried down on the debit side rather than the credit side.

- (e) This question was answered well as most candidates knew that inventory should be valued at the lower of cost or net realisable value.
- (f) Candidates were asked to complete a table indicating the effect of undervaluing inventory on gross profit, current assets, cost of sales and profit for the year. Most candidates earned at least two of the four marks available for the effect on gross profit and current assets. However, the effect on cost of sales and profit for the year proved more demanding with only the most successful candidates achieving full marks.

Question 5

- (a) The question required candidates to complete two ledger accounts, close the accounts by balancing and to make a transfer to the income statement if appropriate. This was generally well answered. Those who were less successful tended to introduce extraneous items and were unclear about on which side of the accounts to place transactions. Other common errors included:

SS Limited account

- discount received incorrectly labelled as discount allowed
- the closing balance carried down was not brought down for the start of the new period
- 'stationery' entry incorrectly described as 'purchases'
- incorrect dates or dates missing
- extraneous entries – entries from the stationery account included in SS limited

Stationery account

- incorrect balance carried down/brought down – many candidates not recognising that the inventory value of \$96 represented the closing balance on the stationery account
- no entry for an amount to be transferred to the income statement
- extraneous entries – entries relating to the account of SS limited included in the stationery account.

- (b) Candidates were provided with data relating to the trade receivables collection period for two financial years and were required to state two reasons why it had changed.

The most successful candidates were able to recognise, from the information provided, that the collection period had reduced and suggested acceptable reasons to explain this reduction.

- (c) The question required candidates to state one disadvantage to the credit suppliers of the change in the payment period. Most candidates recognised that the credit suppliers would receive their payment late. However, some candidates had not read the question correctly and answered the question focusing on the disadvantage to Lili rather than her credit suppliers discussing 'damage to relationship with supplier', for example.
- (d) Candidates were asked to discuss the proposal made by Lili's credit suppliers to reduce the credit period to 30 days and to increase the cash discount and to state how it would affect Lilli. Most candidates recognised that Lilli would have to pay her suppliers earlier to obtain the discount but only the most successful candidates were able to explain the implication of this on Lili's cash flow/relationship with her suppliers.
- (e) Candidates were asked to state the meaning of four terms: capital expenditure, capital receipt, revenue expenditure and revenue receipts. Most candidates made a reasonable attempt at this earning at least two of the four marks available for the meaning of capital expenditure and revenue expenditure. Capital and revenue receipts proved more demanding.

Some of the answers provided for capital expenditure were unclear focusing on 'money spent on non-current assets' rather than 'money spent on acquiring, improving and installing non-current assets'.

For capital receipts, many responses focused only on 'income from the sale of non-current assets' with candidates not recognising that capital receipts encompass many other forms of income.

For revenue receipts, many answers focused only on the 'sale of goods', with candidates not recognising revenue receipts include all income from day to day trading activities.

- (f) Candidates were asked to complete a table indicating the effect of four errors. This was answered relatively well with many candidates earning full marks for errors 2 and 3.

Error 3, discount allowed of \$640 had been incorrectly credited to the discount received account – most candidates were aware that this error had no effect on non-current assets but did not realise that the profit for the year was overstated by \$1280 (double the amount)

Error 4, office furniture purchased for \$1500 had been incorrectly debited to the purchases account and credited to the suppliers account – many candidates did not realise that they needed to adjust the cost price for the depreciation for the year and showed the gross amount of \$1500 rather than the net figure of \$1350. In addition, many candidates thought that the profit for the year would be overstated rather than understated as a result of the error.

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

It is important that candidates read through each question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded marks.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some of the available marks may be earned even though the final answer may be incorrect.

The spaces provided on the question paper for candidates' answers' should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note, 'Please refer to page ...' or 'Continued on page ...' would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as 'b/d' and 'BBD' for 'balance' in ledger accounts and 'PDD' for 'Provision for doubtful debts' in a statement of affairs.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit' etc.

It is very important that candidates present their figures clearly and that their written work is legible.

General comments

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

It is important that the written answers produced in the narrative questions are clear and unambiguous. Accounting is a subject in which precision is extremely important.

All the day to day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in the accounts, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

- (a) Using information provided, candidates were required to write up a sales journal and a sales returns journal. Some candidates incorrectly presented their answers in the form of general journal entries or a two-column ledger account.

The sales journal is basically a list of the names of credit customers to whom goods have been sold on credit, the dates and the amounts. The sales returns journal is a similar list relating to goods returned by credit customers. Trade discount is deducted from the list price to show the net

amount of the goods. Many candidates overlooked that the trade discount must also be deducted from the list price in the sales returns journal.

At the end of each month the total of the journals are transferred to the relevant accounts in the ledger i.e. the sales accounts and the sales returns account. This should be indicated in the details column on the same line as the journal total.

- (b) This required candidates to prepare the account of a credit customer, a sales account and a sales returns account. This was basic double entry bookkeeping. Common errors included

In the customer's account –

- labelling the items for sales and sales returns as purchases and purchases returns
- showing the gross amount of the sales and returns sometimes with a separate entry for trade discount
- omitting the cash discount or labelling it discount received.

In the sales and returns accounts –

- showing the individual items of sales and returns instead of the totals of the journals
- incorrectly labelling the total for the month
- balancing the accounts rather than transferring to income statement.

- (c) Candidates were asked to state, with reasons, the effect on profit and liquidity of reducing both the credit period and the rate of cash discount. Most candidates correctly identified the increase or decrease but sometimes the reasons were unclear. For example profit does not increase because of receiving more cash.

Question 2

- (a) A table had to be completed to indicate whether items represented capital or revenue expenditure. Most candidates earned high marks. The most common errors were incorrectly classifying carriage on office furniture and legal expenses on the purchase of premises.

- (b) Candidates had to name a method of depreciation excluding the reducing (diminishing) balance method. The vast majority of candidates correctly suggested the straight line (fixed instalment) method. The revaluation method was equally acceptable.

- (c) Using information provided an asset account and a provision for depreciation account had to be prepared for computer equipment.

In the asset account, many candidates entered only the cost of the equipment and did not include the cost of installation (even though some had correctly classified this in **Part (a)**). A few candidates used unclear wording in the details column such as 'balance' or 'equipment'. Some incorrectly included the depreciation in the account.

In the provision account there were many correct answers based on a cost price of \$1600. Some candidates reversed the account and some included incorrect wording in the details column such as 'Depreciation' instead of 'Income statement'.

- (d) Candidates were required to calculate the total depreciation on office furniture up to the date of disposal. Once again calculations tended to be based on the cost of the asset and candidates did not capitalise the cost of carriage. A few candidates calculated depreciation for part of the year of disposal, even though the data stated that no depreciation was charged in that year. Some less successful candidates incorrectly identified the total depreciation as net book value.
- (e) Using the information provided and the total depreciation from **Part (d)**, a calculation of the profit or loss on disposal was required. An arithmetic calculation or a disposal account was equally acceptable. The majority of candidates used an incorrect figure for the total cost of the asset, and some incorrectly deducted the net book value (rather than the total depreciation) from their cost price. It was not regarded as adequate to show a transfer to income statement as the question clearly required a profit or loss to be identified.

Question 3

- (a) Information was provided about subscriptions of a sports club and candidates were required to prepare a subscriptions account, showing the amount actually received during the financial year. This proved to be demanding for many candidates.

It is important to remember that a subscriptions account is prepared from the viewpoint of the club, so monies owing by the members are an asset (brought down as a debit balance) and monies prepaid by members are a liability (brought down as a credit balance). The balances on a subscriptions account should be described as such and not as 'accrual' and 'prepayment'. The amount of subscriptions relating to the financial year (\$7500) should have been transferred from the debit of the account to the income and expenditure account. The missing figure in the account represented the amount actually received from members during the year.

- (b) Candidates were required to prepare the income and expenditure account of a sports club. The more successful candidates were able to produce acceptable accounts, but for others, common errors included:

- showing the loan which was in existence at the start of the year as a receipt
- not itemising the repayment of the loan and the interest on the loan
- using unacceptable wording in the details column such as 'bank', 'purchase of new sports equipment', 'repayment of loan' and 'proceeds of sale of old sports equipment'
- including extraneous items such as the accrued and prepaid expenses.

Question 4

- (a) A statement of affairs had to be prepared using the information given about a sole trader who did not maintain a full set of accounting records. The successful candidates who were familiar with the presentation of a statement of financial position were able to use that knowledge to earn a good mark on this statement. Common errors were

- not dividing the assets and liabilities into their appropriate sections
- not inserting headings for the cost, accumulated depreciation and net book value when the non-current assets were presented in columnar format
- not showing the provision for doubtful debts (correctly labelled) deducted from the trade receivables
- showing the total of the loan at the end of the year as a non-current liability even though part was due for repayment within 12 months
- not including the total capital as the balancing figure.

- (b) Candidates were required to prepare the capital account of the trader, inserting the figure of profit or loss for the year. Those candidates who did not have a thorough understanding of double entry found this challenging.

The opening balance could be calculated from the list of assets and liabilities provided at the start of the question. The closing balance should have been the figure calculated in the statement of affairs, but many candidates incorrectly treated this as the opening balance. The amounts of drawings and capital introduced were provided in the question. Once again, many candidates used unclear wording in the details column such as 'additional capital' instead of 'bank/cash'. A number of candidates included extraneous items such as bank balance and loan.

- (c) Two advantages of maintaining double entry records had to be stated. Some candidates provided answers that were vague and imprecise. For example, maintaining double entry records does not necessarily ensure there will be no errors in the ledger and that the statement of financial position will be error-free.

Question 5

- (a) A list of five errors which were discovered by a trader after the preparation of draft financial statements was provided. Candidates were required to complete a table to show the entries required to correct the errors. The first one was completed as an example.

- In error 2 the entries were often correct, though some candidates reversed the names of the customers and introduced an entry in a bad debts account.
- In error 3 a common error was to credit either inventory or Sabir.
- In error 4 a large number of candidates did not appreciate that a no debit entry was required.
- In error 5 there were many incorrect answers with the amounts of \$430 and \$340 being attributed to an incorrect account, entries of \$90 made in the suspense and in one or both of the discount accounts.

- (b) Candidates were required to state whether all the errors had been discovered and to give a reason for their answer. This involved candidates looking back to their answer to **Part (a)** and the information provided that the suspense account had been opened with a debit entry of \$7000. If the correcting entries had been made correctly there would still be a balance remaining on the suspense account. Alternative answers were accepted based on the candidate's answer to **Part (a)**.
- (c) A statement had to be completed to show the effect on the profit for the year of correcting each error and also the amended profit for the year. Many candidates did not appreciate that the profit for the year would be decreased by \$1980 for Error 1 and by \$770 for Error 5. Some other errors were:
- the totals of the increase and decrease columns were added together and the profit adjusted for the total
 - the corrected profit was shown as the difference between the two columns without adding to/deducting from the profit before corrections.

Question 6

- (a) Four ratios had to be calculated. Most candidates made use of the space provided for workings. A few candidates did not follow the instruction to show the answers correct to two decimal places. Many candidates calculated the gross profit correctly and were able to calculate the first ratio. Deducting the expenses for the year from the gross profit enabled the second ratio to be calculated. When calculating the return on capital employed many candidates used the owner's capital as the denominator, not appreciating that capital employed represents the total funds used in the business (owner's capital plus non-current liabilities). Many candidates correctly calculated the rate of inventory turnover.
- (b) The majority of candidates did not appreciate that the main reason for the difference in the gross profit percentage was because the businesses were trading in different goods, which, necessarily, had a different mark-up/margin. Many answers incorrectly referred to the fact that one was a partnership business and the other a sole trader, and one business was selling on credit and the other was selling for cash.
- (c) The reason why one business had a much lower rate of turnover than the other business was because they were trading in different commodities. The trader selling foodstuffs will have a much higher rate of turnover than the trader selling furniture. Many answers implied that the two businesses were trading in the same type of goods and one was buying from a cheaper supplier.
- (d) Candidates were required to suggest two expenses which would appear in the income statement of the furniture business but not in the income statement of the fruit and vegetable business. Correct answers included rent, wages of employees, bad debts and insurance of premises. A considerable number of answers concentrated on appropriation account items. Other incorrect answers included depreciation of furniture. Imprecise statements such as depreciation and insurance (without reference to a named asset) were not adequate enough to gain marks.
- (e) Four factors to be considered when the sole trader compared her business with a partnership business had to be listed. Many candidates earned the marks available. A number incorrectly suggested the accounting objectives of comparability, relevance, reliability, and understandability or listed ratios which may be calculated.
- (f) The effects on a business of an increase in selling price had to be discussed. Some candidates repeated the question and stated that the selling price would increase. The more successful

candidates explained that the increase may result in customers shopping elsewhere with a resultant fall in profit. Credit was also given to those candidates who explained that the increase in the mark-up would result in an increase in the gross profit if the quantity of sales was maintained.

- (g) Many candidates were able to list factors to consider before inviting a partner to join the business.

ACCOUNTING

Paper 0452/23
Paper 23

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded credit.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some credit may be earned even though the final answer may be incorrect.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note 'Please refer to Page.....' or 'Continued on page.....' would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as 'b/d' for 'balance' in ledger accounts and 'PFDD' for 'Provision for doubtful debts'.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit' etc.

It is also important that candidates present their figures clearly and that their written work is legible.

General comments

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

It is very important for candidates to provide clear and unambiguous written answers to the narrative questions. Accounting is a subject in which precision is extremely important.

All the day-to-day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in the account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

(a) Candidates were asked to complete a cash book. Most candidates attempted this question with varying levels of success. The most successful candidates were able to score full marks. Those who were not so successful either did not complete all the entries or made several errors:

- the cheque received from Jason shown gross rather than net of cash discount
- the payment from Bella omitted
- incorrect calculation of the cash discount and net amount paid to Ellie
- insurance payment recorded in the cash column rather than bank column

- incorrect narrative for the dishonoured cheque – the entry needs to reflect the name of the account where the corresponding double entry can be found.
- (b) Some candidates did not recognise that the opening credit balance in the bank column of the cash book represented a bank overdraft. Answers focused on it being the opening balance brought forward.
- (c) The more successful candidates were able to correctly explain that the entry made in the cash book on 2 August 2019 represented cash being withdrawn and transferred to the petty cash book.
- Many answers focused on it being the restoration of the imprest amount without mentioning that it was cash being transferred to the petty cash book. This does not describe the double entry in sufficiently precise terms to gain a reward.
- (d) The question asked candidates to explain the entries made on 30 August. Most candidates knew that it was money being transferred from the cash to the bank account for one mark. The more successful candidates earned the second mark knowing that this represented a contra entry.
- (e) Candidates were required to prepare a bank reconciliation statement and determine the balance on the bank statement. There were some completely correct answers but common errors included:
- incorrect amount for the balance on the cash book – some candidates used the total amount of the bank column from their cash book rather than the closing balance
 - amounts added when they should have been deducted and vice versa
 - incorrect labelling of items
 - including extraneous items in the statement such as items included in the bank statement but had not been recorded in Sophie's records.
- (f) Candidates were asked to give two reasons for preparing a bank reconciliation statement. It is important that responses are clear and not generic. Statements such as 'to locate errors/missing items' or 'to identify errors in the cash book' were not regarded as being acceptable. It is important that candidates are precise in their answers and are aware that it is the bank column in the cash book that should be mentioned, and not just the cash book when discussing where errors might occur.
- (g) This was answered well with most candidates knowing the transactions that would be recorded in Sophie's cash book and also recorded in the sales, purchases and nominal ledgers.

Question 2

- (a) Using information provided, candidates were asked to complete a statement of changes in equity. This was well answered. Some common mistakes included:
- incorrect/incomplete narratives in the details column
 - dates entered in the detail column rather than the appropriate narratives
 - final dividend added rather than deducted.

It is important that candidates remember that the statement of changes in equity is designed to communicate with internal and external users of accounts and therefore clarity is important. For instance, a date in the statement of changes of equity is unhelpful but a description such as 'final dividend paid' is clear.

- (b) Candidates were required to prepare a statement of financial position of a limited company.

Most candidates were able to earn some marks for this element. Common errors included:

- no headings for the non-current asset section 'cost', 'accumulated depreciation' and 'net book value' when using the three column method to record the non-current assets
- provision for doubtful debts not shown as a deduction from trade receivables or included incorrectly in current liabilities
- bank loan repayable within 12 months included in the non-current liabilities rather than current liabilities section

- a total figure only for the equity and liabilities section rather than the breakdown showing the amounts for ordinary shares, general reserve and retained earnings.
- (c) Candidates were asked to explain why the difference between the gross profit percentage and the percentage of profit to revenue is an indication of the efficiency of the firm. The less successful candidates did not answer the question being asked and focused on providing an explanation of the gross profit percentage and the percentage of profit to revenue but did not recognise that the difference between the two percentages represents the 'expenses to revenue percentage'.
- (d) Candidates were asked to state what is measured by the return on capital employed (ROCE). The most common incorrect answer was 'the profit earned for every \$100 invested' but not all funds used in the business are from money invested by the business owners. Some candidates simply gave the formula for ROCE. It is important that candidates take time and read the question carefully before answering to ensure they are providing an answer to the question being asked.
- (e) Most candidates knew that by extending the loan repayment date, the return on capital employed would decrease because the non-current liabilities (capital employed) increased.

Question 3

- (a) Using data provided, candidates were required to prepare an income statement of a manufacturing business and to insert the missing figure for purchases of finished goods. The gross profit margin was given in the question allowing candidates to calculate the gross profit and cost of sales. Although most candidates had a good understanding of the format required and which items of expenditure should be included before and after the gross profit figure, only a few candidates earned full marks. The main reasons for this were:
- incorrect calculation of cost of sales and gross profit
 - cost of production omitted from the cost of sales section
 - carriage inwards on finished goods either omitted or not in the correct position in the cost of sales section
 - closing inventory not deducted from the total cost of goods available for sale
 - accumulated depreciation included in the expenses rather than the depreciation for the year.
- (b) Candidates were required to discuss the effect on the gross profit of four proposals.

Most candidates were able to earn one of two marks available for each proposal for correctly stating whether the gross profit would increase or decrease. However, the less successful candidates did not provide enough detail as to why the increase or decrease might have occurred.

Question 4

- (a) Using the data provided, candidates were required to calculate the amount paid to credit suppliers. An arithmetic calculation or a 'T' account were equally acceptable formats. This question was well answered by most candidates. For those who were less successful, it was because they had reversed the adjustments and/or included extraneous items in their calculations.
- (b) Similar to 4(a), candidates were asked to calculate the figure for credit sales for the year ended 31 July 2019. An arithmetic calculation or a 'T' account were equally acceptable formats. This question was well answered by most candidates. For those who were less successful, it was because they had reversed the adjustments and/or included extraneous items in their calculations.
- (c) This was well attempted, with most candidates being able to recognise that they needed to use their answer from **part (b)** to calculate the amount of money paid into the bank from cash sales.
- (d) Candidates had to prepare the bank account for the year ended 31 July 2019 and to insert the missing figure representing drawings. Common errors included:
- incorrect narratives in the detail columns particularly for the amounts received from/paid to 'credit customers'(trade receivables) and 'credit suppliers' (trade payables)
 - descriptions of the transaction rather than the ledger account name in the details column e.g. 'purchase of non-current assets' rather than 'non-current assets'

- extraneous items included in the account e.g. discount allowed and received
- no entry for the missing figure for drawings
- closing balance carried down on the debit side rather than the credit side.

- (e) This question was answered well as most candidates knew that inventory should be valued at the lower of cost or net realisable value.
- (f) Candidates were asked to complete a table indicating the effect of undervaluing inventory on gross profit, current assets, cost of sales and profit for the year. Most candidates earned at least two of the four marks available for the effect on gross profit and current assets. However, the effect on cost of sales and profit for the year proved more demanding with only the most successful candidates achieving full marks.

Question 5

- (a) The question required candidates to complete two ledger accounts, close the accounts by balancing and to make a transfer to the income statement if appropriate. This was generally well answered. Those who were less successful tended to introduce extraneous items and were unclear about on which side of the accounts to place transactions. Other common errors included:

SS Limited account

- discount received incorrectly labelled as discount allowed
- the closing balance carried down was not brought down for the start of the new period
- 'stationery' entry incorrectly described as 'purchases'
- incorrect dates or dates missing
- extraneous entries – entries from the stationery account included in SS limited

Stationery account

- incorrect balance carried down/brought down – many candidates not recognising that the inventory value of \$96 represented the closing balance on the stationery account
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- (e) Candidates were asked to state the meaning of four terms: capital expenditure, capital receipt, revenue expenditure and revenue receipts. Most candidates made a reasonable attempt at this earning at least two of the four marks available for the meaning of capital expenditure and revenue expenditure. Capital and revenue receipts proved more demanding.

Some of the answers provided for capital expenditure were unclear focusing on 'money spent on non-current assets' rather than 'money spent on acquiring, improving and installing non-current assets'.

For capital receipts, many responses focused only on 'income from the sale of non-current assets' with candidates not recognising that capital receipts encompass many other forms of income.

For revenue receipts, many answers focused only on the 'sale of goods', with candidates not recognising revenue receipts include all income from day to day trading activities.

(f) Candidates were asked to complete a table indicating the effect of four errors. This was answered relatively well with many candidates earning full marks for errors 2 and 3.

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Error 4, office furniture purchased for \$1500 had been incorrectly debited to the purchases account and credited to the suppliers account – many candidates did not realise that they needed to adjust the cost price for the depreciation for the year and showed the gross amount of \$1500 rather than the net figure of \$1350. In addition, many candidates thought that the profit for the year would be overstated rather than understated as a result of the error.