ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

Candidates with good knowledge of the subject were able to use that knowledge by applying it to the situations described in the multiple choice items. Candidates should read each item very carefully before attempting an answer. This ensures that an important word, phrase or figure is not overlooked.

General comments

Candidates found questions **2**, **4**, **5** and **12** challenging as less than 30% of candidates identifying the correct answer. These have been discussed here.

Comments on specific questions

Question 2

Candidates were required to calculate the sales proceeds from the disposal of a non-current asset. From the data given the net book value of the non-current asset sold could be calculated $25 000 (115 000 + 105 000 – 155 000 – 40 000). There was a loss on disposal of $10 000, so the sale proceeds must have been $15 000, the key **A**.

Question 4

This question required candidates to calculate the total of the trade payables balance in the purchases ledger, following the discovery of errors. Only one of the four errors, the omission of the posting of the returns outwards, would affect the individual balances in the purchases ledger. Thus, only this needed to be adjusted against the total of balances given, $57 400, giving the key **D**. The other three errors would only affect the purchases ledger control account.

Question 5

This question in many ways was the opposite of **Question 4**, where the correct balance of the sales ledger control account was required. In this case only the first error of the omission of the bad debt of $800 and the third error, the sales journal being overcast by $1000 required adjustments.

Thus the answer was $125 000 – (800 + 1000) = $123 200, the key **B**.

Question 12

From the given data candidates were required to identify the value of closing inventory be comparing its cost with its net realisable value and replacement cost. From the given realisable value candidates should also have deducted the costs of realisation to arrive at the key **B**, $40 000. The replacement cost is not a valid option, as we are dealing with inventory which has already been purchased.

Question 21

Although not specifically identified, this question is worth discussing. It involved the calculation of the return on capital employed (ROCE). Candidates found calculation of long term capital employed difficult. A bank overdraft is **not** part of the long term capital employed. Thus with this question the key was **C** and not A, which a significant number of candidates opted for.

ACCOUNTING

Paper 9706/12
Multiple Choice

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

Key messages

Candidates with good knowledge of the subject were able to use that knowledge by applying it to the situations described in the multiple choice items. Candidates should read each item very carefully before attempting an answer. This ensures that an important word, phrase or figure is not overlooked.

General comments

More than 50% of candidates who took the exam achieved a score of 15 or more correct answers. A number of questions appeared relatively straightforward from the data; **1**, **4**, **10**, **20** and **21**, where more than 70% of candidates identified the correct option. Only **Questions 12** and **18** proved difficult with around 30% or less of candidates identifying the correct answer. These will be discussed below.

Comments on specific questions

Question 12

The opening inventory for a business had been overvalued. Candidates were asked to identify the impact correcting this had on the profit for the current financial year and the retained earnings brought forward from the previous year. Opening inventory has the effect of reducing gross profit for the year. Thus if the opening inventory had been overvalued, correcting it would increase the gross profit and therefore the profit for the current year. It would have had the opposite effect on the profit for the previous year, decreasing it. Therefore the correct key was **C**.

Question 18

This question required candidates to calculate the new reserves after two events: the creation of a general reserve and the issue of ordinary shares at a premium. The creation of the general reserve could only have come from another reserve, the retained earnings, thus one would have increased and the other decreased with no effect on the total. However, the issue of shares at a premium would have introduced a new reserve of the share premium of $100 000. The correct key was, therefore **A**.

ACCOUNTING

Paper 9706/13

Multiple Choice

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

Key messages

Candidates with good knowledge of the subject were able to use that knowledge by applying it to the situations described in the multiple choice items. Candidates should read each item very carefully before attempting an answer. This ensures that an important word, phrase or figure is not overlooked.

General comments

Candidates found questions **2**, **4**, **5** and **12** challenging as less than 30% of candidates identifying the correct answer. These have been discussed here.

Comments on specific questions

Question 2

Candidates were required to calculate the sales proceeds from the disposal of a non-current asset. From the data given the net book value of the non-current asset sold could be calculated $25 000 (115 000 + 105 000 – 155 000 – 40 000). There was a loss on disposal of $10 000, so the sale proceeds must have been $15 000, the key **A**.

Question 4

This question required candidates to calculate the total of the trade payables balance in the purchases ledger, following the discovery of errors. Only one of the four errors, the omission of the posting of the returns outwards, would affect the individual balances in the purchases ledger. Thus, only this needed to be adjusted against the total of balances given, $57 400, giving the key **D**. The other three errors would only affect the purchases ledger control account.

Question 5

This question in many ways was the opposite of **Question 4**, where the correct balance of the sales ledger control account was required. In this case only the first error of the omission of the bad debt of $800 and the third error, the sales journal being overcast by $1000 required adjustments.

Thus the answer was $125 000 – (800 + 1000) = $123 200, the key **B**.

Question 12

From the given data candidates were required to identify the value of closing inventory be comparing its cost with its net realisable value and replacement cost. From the given realisable value candidates should also have deducted the costs of realisation to arrive at the key **B**, $40 000. The replacement cost is not a valid option, as we are dealing with inventory which has already been purchased.

Question 21

Although not specifically identified, this question is worth discussing. It involved the calculation of the return on capital employed (ROCE). Candidates found calculation of long term capital employed difficult. A bank overdraft is **not** part of the long term capital employed. Thus with this question the key was **C** and not A, which a significant number of candidates opted for.

ACCOUNTING

Key message

Candidates are advised to read all of the questions carefully before attempting to answer them.

General comments

Overall performance was satisfactory with some very good scripts but also some weaker ones.

Question 4 was the best answered question.

Comments on specific questions

Section A

Question 1

(a)   Most candidates determined the gross profit but very few were able to make the four required adjustments to the administrative expenses correctly and fewer were able to account correctly for the finance costs.

(b)   Many candidates did not attempt the statement and there were very few fully correct solutions. Despite the table being headed $000 many candidates incorrectly gave their answers including the final three zeroes. Candidates often omitted the profit for the year and the dividend payment.

(c)   This statement was generally prepared to a reasonable standard. The most common error was the omission or incorrect treatment of the finance cost payable.

(d)(i) Only the strongest candidates addressed the question asked. Instead of considering the impact on profits most candidates discussed dilution of control and the advantages and disadvantages of the funding methods.

(ii)   This part was answered satisfactorily with candidates generally advising an option and providing appropriate reasons.

(e)   This part was generally not answered well with many candidates merely providing examples of capital and revenue reserves and some erroneously discussing capital and revenue expenditure.

(f)   A significant number of candidates gave a correct example. A common incorrect example was share capital.

Question 2

(a)   Most candidates were able to calculate the required ratios but many did not round to two decimal places for **(i)** and **(ii)** or incorrectly rounded for **(iii)**, **(iv)**, **(v)**.

(b)   This was well answered although some candidates failed to give an overall comment to conclude.

(c)   This was less well answered with candidates often discussing seasonal variations, inflation and window dressing.

Question 3

(a)   The realisation account was prepared to a high standard with many candidates gaining full credit. The most common error was the omission of the dissolution costs.

(b)   Those candidates preparing a capital account for the calculation generally performed well. Some, however, prepared a bank account and consequently struggled.

(c)   Many candidates gave two correct reasons but some answers were too vague to be credited, e.g. 'drawn too much' rather than 'drawn more than the profits earned.'

(d)   Relatively few candidates answered this correctly with many mentioning current account items.

Question 4

(a)   Most candidates answered this correctly.

(b)   This was well answered with many candidates gaining full credit.

(c)   Performance was mixed with a range of errors and omissions. Some candidates did not include the fixed costs line and the total costs line was often incorrectly labelled as variable costs. Presentation was often poor.

(d)   This was generally well answered with many candidates scoring full marks including some who had made an error in **(b)**.

(e)   This was well answered with most candidates calculating the required contributions correctly.

(f)   Again, correctly answered by nearly all candidates.

(g)   Many candidates performed the ranking correctly and then went on to give complete answers. A common error was to incorrectly produce 4000 units of Y and then 2000 units of Z.

(h)   Most candidates raised relevant points of advice but many failed to conclude which option should be taken.

(i)   This part was less well answered with many candidates struggling to address the question.

ACCOUNTING

> **Paper 9706/22**
> **Structured Questions**

Key messages

Candidates should always provide clear workings when answering computational questions as credit will be given for valid workings even where the final answer is incorrect.

In written questions, candidates should make sure that they provide sufficient development to their answers. One or two word answers will seldom suffice.

General comments

Candidates need to focus on the presentation of their answers and should present their answers in a more structured manner. Answers to written questions are often vague and lack sufficient development, demonstrating some lack of understanding of the topic.

Comments on specific questions

Question 1

The question related to financial statements of a sole trader and subsequent assessment of the trader's performance

(a) (i) and (ii) These tasks required candidates to calculate the sales and the purchases for the year. A large number of candidates gained full credit for these two tasks. The most common error was to omit the irrecoverable debts from the sales calculation.

   (iii) Preparation of the income statement for the year was generally well done. A majority of candidates are still using old terminology and referring to the net profit rather than profit for the year. Whilst presentation of the income statement was usually good, it should be remembered that in calculating cost of sales, carriage inwards and returns outwards should always be adjusted before accounting for the closing inventory.

      A question of this nature will always involve adjusting for accruals and/or prepayments, together with calculation of the depreciation charge for the year. Not making correct adjustments for these accounted for the majority of other errors.

(b) Preparation of the journal entry to account for the trader's analysis error proved to be challenging to a large number of candidates. Significantly, many candidates appeared to have little idea of the correct format for a journal entry. Whilst many correctly indicated that $36 should be debited to operating expenses (or similar), few correctly indicated that the credit entry should be to Jing's capital account. The most common error was to process the credit entry (often the full $60) to bank/cash.

(c) Most candidates gained full credit for identifying two types of entries other than the correction of errors that would be recorded in the general journal. Many candidates gave the example of the correction of an error. Candidates must read the questions carefully.

(d)   This part was not well done. A large number of candidates stated that sales (volume) had fallen, rather than selling price, or that purchases had increased, rather than the cost price of purchases. Volume does not affect the gross margin.

Although most candidates correctly stated that the trader had better control of his expenses in order to increase the profit margin, few provided sufficient development to get full credit.

(e)   Whilst most candidates stated the two expected benefits of ratio analysis (comparison to previous years or comparison to other businesses), other benefits were seldom offered.

Question 2

The question related to a partnership where one of the partners was retiring.

(a)   Candidates were required to prepare a revaluation account on retirement of the third partner. Most candidates answered this part well. Common error was omission of motor vehicle taken over by the retiring partner. Candidates must be aware that when an 'account' is specifically required, a calculation will not be rewarded unless in T account format.

(b)   Candidates made a reasonable attempt to show how much cash one partner paid into the partnership to fund the retirement, though many candidates lacked focus and structure in their answer.

(c)   The majority of candidates gave three valid advantages and consequently gained full credit.

(d)   Candidates were required to state three reasons why partnerships maintain separate capital accounts and current accounts for each partner. Most candidates simply described the difference between a current account and a capital account which did not answer the question.

Question 3

The question focused on accounting for non-current assets.

(a)   Many candidates provided vague meaning of the depreciation of non-current assets. Few candidates stated that it was the allocation of the cost of using the asset over the year, the majority stating that it was simply the 'reduction the asset's value'.

(b)   Most candidates were able to gain full credit for stating three valid causes of depreciation of non-current assets.

(c) (i)   Only few candidates prepared the motor vehicles at cost account correctly. Most candidates entered a single figure of $190 000 with various narratives such as bank, cash, loan etc.

(ii)   Preparation of the motor vehicle provision for depreciation account was not well done by the vast majority of candidates. This is a T account and very few candidates either provided no dates or alternatively incorrect dates. The calculation of depreciation was frequently incorrect and many candidates did not bring down a closing balance.

(iii)   Using own figures from the previous two parts of the question, many candidates were able to calculate the loss on disposal of the motor vehicle.

(d)   This part was not well-answered. Whilst candidates recognised the effect that the loss on disposal would have on the income statement, few were able to identify the effect on the statement of financial position, concentrating on the effect on cash/bank rather than on the effect on net assets and owner's capital.

Question 4

The question concentrated on absorption costing.

(a)   Whilst many candidates seemed well prepared for a question requiring the calculation of overhead absorption rates, a minority seemed to have little idea of the processes required. Many candidates did not address the question in a structured manner which resulted in some disorganised approaches. A common problem was a failure to indicate that the calculated rate was either 'per labour hour' or 'per machine hour'.

(b)   Whilst the vast majority of candidates correctly stated the direct material and direct labour parts of the price to quote the customer, calculation of the proportion on overheads was not so well done. Candidates were rewarded for the correct calculation based on their own overhead absorption rate, provided that the correct multiplier was used. Candidates lacked clarity between mark-up and margin in calculating the final price.

(c)   Whilst many candidates were able to differentiate between a factory wide overhead absorption rate and a departmental one, the advice given to the directors was frequently vague and often not in support of the final decision.

(d)   The final task required candidates to explain how over and under absorption can affect the profits of a manufacturing business. Generally, answers were very weak. Many candidates simply described what over and under absorption are, but did not discuss the effect on profit at all. Those who did discuss the effect on profit often mixed up the impact of over absorption with that of under absorption.

ACCOUNTING

Key message

Candidates are advised to read all of the questions carefully before attempting to answer them.

General comments

Overall performance was satisfactory with some very good scripts but also some weaker ones.

Question 4 was the best answered question.

Comments on specific questions

Section A

Question 1

(a) Most candidates determined the gross profit but very few were able to make the four required adjustments to the administrative expenses correctly and fewer were able to account correctly for the finance costs.

(b) Many candidates did not attempt the statement and there were very few fully correct solutions. Despite the table being headed $000 many candidates incorrectly gave their answers including the final three zeroes. Candidates often omitted the profit for the year and the dividend payment.

(c) This statement was generally prepared to a reasonable standard. The most common error was the omission or incorrect treatment of the finance cost payable.

(d)(i) Only the strongest candidates addressed the question asked. Instead of considering the impact on profts most candidates discussed dilution of control and the advantages and disadvantages of the funding methods.

(ii) This part was answered satisfactorily with candidates generally advising an option and providing appropriate reasons.

(e) This part was generally not answered well with many candidates merely providing examples of capital and revenue reserves and some erroneously discussing capital and revenue expenditure.

(f) A significant number of candidates gave a correct example. A common incorrect example was share capital.

Question 2

(a) Most candidates were able to calculate the required ratios but many did not round to two decimal places for **(i)** and **(ii)** or incorrectly rounded for **(iii)**, **(iv)**, **(v)**.

(b) This was well answered although some candidates failed to give an overall comment to conclude.

(c) This was less well answered with candidates often discussing seasonal variations, inflation and window dressing.

Question 3

(a)   The realisation account was prepared to a high standard with many candidates gaining full credit. The most common error was the omission of the dissolution costs.

(b)   Those candidates preparing a capital account for the calculation generally performed well. Some, however, prepared a bank account and consequently struggled.

(c)   Many candidates gave two correct reasons but some answers were too vague to be credited, e.g. 'drawn too much' rather than 'drawn more than the profits earned.'

(d)   Relatively few candidates answered this correctly with many mentioning current account items.

Question 4

(a)   Most candidates answered this correctly.

(b)   This was well answered with many candidates gaining full credit.

(c)   Performance was mixed with a range of errors and omissions. Some candidates did not include the fixed costs line and the total costs line was often incorrectly labelled as variable costs. Presentation was often poor.

(d)   This was generally well answered with many candidates scoring full marks including some who had made an error in **(b)**.

(e)   This was well answered with most candidates calculating the required contributions correctly.

(f)   Again, correctly answered by nearly all candidates.

(g)   Many candidates performed the ranking correctly and then went on to give complete answers. A common error was to incorrectly produce 4000 units of Y and then 2000 units of Z.

(h)   Most candidates raised relevant points of advice but many failed to conclude which option should be taken.

(i)   This part was less well answered with many candidates struggling to address the question.

ACCOUNTING

General comments

Overall performance was very good with some very good scripts.

Questions 2 and 6 were answered better than questions 1, 3 and 5.

Comments on specific questions

Question 1

(a)   Most candidates were able to distinguish between capital and accumulated fund.

(b)   This part was well answered with a significant number of candidates scoring full marks. Although the question asked for the restaurant profit to be clearly identified some candidates ignored this and listed the restaurant income and expenses separately within the income and expenditure account thus not providing a profit or loss.

(c)   Few candidates were able to provide an appropriate explanation on why a club may capitalise donations.

(d)   This was not answered well with many candidates recommending short term sources of finance.

Question 2

(a)   This topic was new to the specification and had not been examined before and was very well answered by most candidates. The most common error was the omission of the closing inventory.

(b)   This account was well prepared. Some candidates did not show the balance due from Bashmir even though the question clearly asked for this.

(c)   Most candidates were aware that the balance was a current asset.

(d)   Most candidates were able to make these calculations correctly.

(e)   The evaluation was generally well made. Most candidates decided that as Ahmed had made a profit he should have entered the joint venture and were rewarded accordingly.

Question 3

(a)   Many candidates were unable to calculate the cost of the machinery and consequently could not determine the provision for depreciation.

(b)   Candidates answered this part reasonably well. Some candidates did omit the net book value section.

(c)   Candidate responses were generally acceptable.

(d)   This part was not well answered. Few candidates considered the depreciation on the new machinery. Most evaluation did not consider the efficiency of the old machinery and its impact on revenue and costs in the future.

Question 4

(a)   Most candidates were able to calculate the ratios correctly but a significant number did not give their answers to two decimal places as was required by the question.

(b)   Most candidates provided acceptable comparisons of performance. Answers were generally well organised and well presented.

(c)   Most candidates were able to follow their comparisons through to advise Alfredo appropriately. The evaluation of the price earnings ratio often indicated a lack of understanding.

Question 5

(a)   Most candidates calculated the overhead absorption rate correctly. Few candidates calculated the rate separately for the two products.

(b)   This was well answered by most candidates. Nearly all candidates calculated the selling price correctly.

(c)   This was also well answered and the activity based calculation was invariably performed correctly. However, many candidates did not state whether the change in selling price of each product was an increase or a decrease..

(d)   Few candidates were able to explain three differences and many merely stated that activity based costing is more accurate.

(e)   Many candidates repeated their answers from part **(d)** and very few attempted to relate their advice to the two products as was required.

Question 6

(a)   Many candidates described both methods rather than distinguishing between them as was required.

(b)   The net cash flow calculations were made to a high standard. Some candidates omitted the maintenance check-up cost.

(c)   Nearly all candidates calculated the payback period correctly.

(d)   Nearly all candidates were able to calculate the net present value correctly.

(e)   The analysis was well answered with candidates generally commenting on the increased production levels and its implications. Most candidates gave an appropriate recommendation and justification.

ACCOUNTING

Key messages

Candidates should read through a question very carefully before attempting an answer. Candidates must state the recommendation specifically where a recommendation is required in the question. Correct terminology should be used and if the question asks for answers to be rounded to 2 decimal places then this too must be completed. Where appropriate, candidates are advised to provide supporting calculations. This ensures that at least some credit may be earned even though the final answer may be incorrect.

General comments

Most candidates were able to complete the paper within the time allowed, although a few candidates omitted sections of questions in particular the prose answers. There were a few candidates with gaps in their knowledge but most produced reasonable answers to each question with some excellent scripts. The best answered questions were neatly laid out with clear reference to their workings. The prose sections were for the most part structured and logically answered. Question 2 was the best answered question within the financial section, with some excellent answers, being clearly laid out and showing all workings. Question 6 was the best answered question within the costing and management section with the majority of candidates showing a clear understanding of variances.

Comments on specific questions

Question 1

Part **(a)** was mixed in its standard of response. Some candidates focused on the profit making and methods of raising finance aspects of a business as opposed to the differences within the financial statements as requested by the question. A clear distinction was required between the two types of organisation. Some responses were vague, such as 'a not for profit organisation will have subscriptions in arrears on its balance sheet whereas a limited company would not'.

Part **(b)** was answered well. Most candidates were able to produce a trading account with the correct adjustment for purchases. Although few candidates calculated the wages incorrectly, as often $600 was entered for the full period rather than treated as the monthly amount. The correct terminology for gross profit and the final value was required, for example not GP or surplus.

Overall part **(c)** was not well answered. Most answers used the $24 800 subscriptions figure as the bank entry and calculated the income and expenditure figure (often referred to as income statement) instead of vice versa. The majority of candidates correctly entered the opening balances but very few the final balances brought down. There were some who made entries for number of members rather than converting to a monetary value.

Part **(d)** was well answered by the majority of candidates. Frequently general expenses were not correctly adjusted and often $2320 entered (2500 – 180 prepaid). Some entered depreciation as $4000 (the year 1 value). Most candidates correctly used surplus as final value although some candidates referred to the figure as profit.

Part **(e)** was well answered. Most candidates could describe the advantages and disadvantages of using a computer. Many candidates made valid comments about the club not achieving full benefits from a computerised system as too small. Better answers related the use of software to a club rather than using generic points. Most candidates remembered to give a final recommendation on whether to introduce a computer or not.

Question 2

Part **(a)** was well answered. Common errors included subtracting factory overheads from prime cost and entering factory supervision wages as part of prime cost. The prime cost had to be clearly identified and the correct labels had to be used for gross profit and profit for the year. Most candidates showed cost of manufacturing, although a few candidates did not state a transfer price.

Part **(b)** was well answered. The answer was correctly presented in a good format by the majority of the candidates. Two common errors were to omit the provision for unrealised profit adjustment and end with a figure labeled 'net profit'. The transfer was usually correctly made from manufacturing account, however many omitted the manufacturing profit. Again the correct terminology was required throughout without abbreviations.

Part **(c)** had variable answers with some candidates understanding the importance of IAS2 and not overstating the value of finished goods.

Part **(d)** was also not answered well. Although many candidates stated the effect on profit, very few calculated the amount of $405.

Part **(e)** was not answered well as most candidates did not understand the purpose of factory profit and that increasing the cost of manufacture would not change the overall profit.

Question 3

Part **(a) (i)** was either answered correctly or was presented in a format unrecogisable as a realisation account. Clear workings were vital to this question especially if goodwill was calculated outside the realisation account. The most common error was to omit the purchase consideration or to include both this figure and the takeover values of non-current assets on the credit side. There were some complete reversals of ledger entries.

Part **(a) (ii)** was generally well answered. There were some reversals for entries. The entries for vehicles and share allocations were usually correct, although sometimes the share premium was omitted in the ordinary share values or incorrect ordinary share values usually omitting the premium. The common error was to carry forward partners' balances.

Many candidates showed the correct answer with 156 000 shares and $39 000 in part **(a) (iii)**, but quite a few worked on 195 000 shares and gave $48 750.

Part **(b)** was not well answered. Often the effects on shares were stated but not the value. Some candidates focused on the effect for one partner only.

There were some very good responses to part **(c)** although few candidates referred to the poor financial position of the partnership. Some candidates did not give a final decision even where they had presented valid points. The main error was to focus only on generic arguments of company formation rather than the effects on Anjali and Bailey.

Question 4

Part **(a)** was well answered. The most common response was a comparison with over years or different businesses. Other responses were often not developed.

Candidate responses varied for part **(b)**. Some candidates did not remember any formulae. The most common error was to not state answers to two decimal places as required by the question or to incorrectly round answers.

In part **(b)(i)** frequently incorrect profit figure was used. Likewise incorrect capital employed was used of just shareholders funds or long term liabilities.

In part **(b)(ii)** again incorrect values were often used for capital employed.

Often part **(b)(iii)** was the best response with many candidates correctly calculating the income gearing.

For part **(b)(iv)** some candidates had no idea what the working capital cycle was and some others calculated a current ratio. Some candidates who did know the correct approach used $425 800 for purchases rather than $438 600 in the trade payables turnover calculation.

Part **(b)(v)** was often correct although some candidates stated the answer as a percentage.

Candidates had some very good responses for part **(c)**. A few candidates included return on capital employed or just defined the ratios or restated their answers from part **(b)** without development or valid comment on what they actually meant. Another common error was to only make comments on one company with no comparison. The weaker comments were on income gearing.

Part **(d)** was generally well answered with the majority of candidates able to make a recommendation based on their own figures. Few candidates referred to the loan interest rate and return on capital employed in each company. There were frequent valid references to risk.

Question 5

Part **(a)** was mixed in its standard of response. Few responded well for absorption costing as some candidates could only vaguely explain how absorption costing works. Most candidates could however give a basis of calculation. There were better responses for ABC with reference to key aspects of activities or cost pool and particularly cost driver.

Part **(b)** was again mixed in response. Some candidates did not show all the components of cost and for those who did, frequently overheads were incorrect. Some showed a profit rather than cost, subtracting the raw materials and direct labour from the selling price. Candidates did not pick up on the clue to use a direct labour hour absorption rate. Most tried to apportion each overhead on a unit production ratio basis. The most common error was to not give an answer on a unit basis but total costs.

Overall part **(c)** was not well answered. Again some candidates did not show a cost for all components. Often just the overhead calculations were shown but no material and labour components to give a final unit cost. There was some excessive rounding in calculations. The most common error was to not give the answer on a unit basis but total costs.

Part **(d)(i)** was well answered by the majority of candidates. Frequently calculations were present for profit per unit rather than total profit for each product.

Part **(d)(ii)** Virtually every candidate who answered made a worthy comment relating to profit.

Part **(e)** was well answered. The majority of candidates advocated ABC but said it was more accurate rather than more realistic. Often candidates referred to their own calculations to support their argument.

Question 6

Part **(a)** was mixed in its standard of response. Few candidates referred to a pre-determined or expected cost. There were many references to the difference between actual costs and standard costs but not variances.

Part **(b)** was generally well answered. The majority of candidates presented correct calculations with most indicating the direction of the variance, whether adverse or favourable. It should be remembered that +/– and brackets are not accepted as an indication of direction.

Part **(c)** was generally not well answered. A list of variances is not acceptable as reconciliation. There were a number of profit reconciliations despite the clarity of the question. Some candidates, who did calculate the standard and actual costs, did not use them in a reconciliation statement.

Part **(d) (i)** was well answered by the majority of candidates. There were some non-variance related generic answers but generally the answers were related to their calculations and valid reasons.

Part **(e)** was also well answered. The most common error was frequently no reference was made to the effect on sales or profit. Some candidates made valid points but did not make a final recommendation.

ACCOUNTING

General comments

Overall performance was very good with some very good scripts.

Questions **2** and **6** were answered better than **questions 1, 3** and **5**.

Comments on specific questions

Question 1

(a)   Most candidates were able to distinguish between capital and accumulated fund.

(b)   This part was well answered with a significant number of candidates scoring full marks. Although the question asked for the restaurant profit to be clearly identified some candidates ignored this and listed the restaurant income and expenses separately within the income and expenditure account thus not providing a profit or loss.

(c)   Few candidates were able to provide an appropriate explanation on why a club may capitalise donations.

(d)   This was not answered well with many candidates recommending short term sources of finance.

Question 2

(a)   This topic was new to the specification and had not been examined before and was very well answered by most candidates. The most common error was the omission of the closing inventory.

(b)   This account was well prepared. Some candidates did not show the balance due from Bashmir even though the question clearly asked for this.

(c)   Most candidates were aware that the balance was a current asset.

(d)   Most candidates were able to make these calculations correctly.

(e)   The evaluation was generally well made. Most candidates decided that as Ahmed had made a profit he should have entered the joint venture and were rewarded accordingly.

Question 3

(a)   Many candidates were unable to calculate the cost of the machinery and consequently could not determine the provision for depreciation.

(b)   Candidates answered this part reasonably well. Some candidates did omit the net book value section.

(c)   Candidate responses were generally acceptable.

(d)   This part was not well answered. Few candidates considered the depreciation on the new machinery. Most evaluation did not consider the efficiency of the old machinery and its impact on revenue and costs in the future.

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Question 4

(a) Most candidates were able to calculate the ratios correctly but a significant number did not give their answers to two decimal places as was required by the question.

(b) Most candidates provided acceptable comparisons of performance. Answers were generally well organised and well presented.

(c) Most candidates were able to follow their comparisons through to advise Alfredo appropriately. The evaluation of the price earnings ratio often indicated a lack of understanding.

Question 5

(a) Most candidates calculated the overhead absorption rate correctly. Few candidates calculated the rate separately for the two products.

(b) This was well answered by most candidates. Nearly all candidates calculated the selling price correctly.

(c) This was also well answered and the activity based calculation was invariably performed correctly. However, many candidates did not state whether the change in selling price of each product was an increase or a decrease..

(d) Few candidates were able to explain three differences and many merely stated that activity based costing is more accurate.

(e) Many candidates repeated their answers from part **(d)** and very few attempted to relate their advice to the two products as was required.

Question 6

(a) Many candidates described both methods rather than distinguishing between them as was required.

(b) The net cash flow calculations were made to a high standard. Some candidates omitted the maintenance check-up cost.

(c) Nearly all candidates calculated the payback period correctly.

(d) Nearly all candidates were able to calculate the net present value correctly.

(e) The analysis was well answered with candidates generally commenting on the increased production levels and its implications. Most candidates gave an appropriate recommendation and justification.