

ACCOUNTING

Paper 0452/11
Paper 11

Key messages

Candidates should indicate if they have re-written answers in a different section so that examiners can trace their answers.

Candidates are expected to use International Accounting Terminology.

When preparing ledger accounts labels such as BBD and BD should not be used. Ideally balance b/d or c/d should be written. Labelling items is extremely important when preparing income statements or statements of financial position. Abbreviations such as COGS for cost of goods sold or GP and NP for gross profit and profit should be avoided.

General comments

The paper was well attempted by a number of candidates. Candidates generally completed the paper and did not seem to be time pressured.

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.

Specific questions proved more challenging than others. They are discussed below.

- (b) Correction of error proved demanding for some candidates. Candidates should be encouraged to start by writing the initial entry, write the correct entry and then look at what is required to resolve it.
- (h) Clearly many candidates found this question difficult. Further revision is required as to the treatment of dividends in the statement of changes in equity.
- (i) Candidates need more clarity as to what is included in an income and expenditure account. Subscriptions received rather than total subscriptions for the year were used by many candidates and the cost of fixed assets deducted to extract the surplus for the year.

Question 2

- (a) Most candidates answered this correctly. However common incorrect answers were prudence/matching/continuity. There were a small number who offered 'going on concern'.
- (b) This was also answered well, although some candidates answers fell short of a complete answer for example 'to check the arithmetical accuracy' without specifying the accuracy of what. This was a more common answer than suggesting that it helps in the preparation of financial statements.
- (c) The majority of candidates were aware of the use of the suspense account.
- (d) Many candidates answered this question well. The most common errors seemed to be with sales returns, discount received, provision for doubtful debts and bad debts. Some candidates reversed a 'capital'.

- (e) There were some candidates who referred to reducing fraud as a reason to maintain different sections of the ledger without saying how or saying 'check for errors' without qualification.
- (f) This was attempted in a variable number of ways. Many identified all the ledgers correctly. However some candidates did not seem to understand the organisation of ledgers. Most candidates did seem to be able to identify the location of the credit customer and credit supplier accounts, but less clear was the use of the nominal ledger. Discount allowed seemed to be the most challenging for many as the cash book was offered for the ledger. Some candidates confused books of prime entry with ledgers.
- (g) (i) The vast majority of candidates did identify that this was to encourage purchasing in bulk, although there were some who referred to customer loyalty or confused this with cash discount.
(ii) Many candidates refer to 'speedy' or 'quick payments' rather than a 'prompt/early' payment.
- (h) This was generally correctly answered, although some candidates did not seem to realise that they needed to choose between trade and cash discount and referred to only discount received or discount allowed.
- (i) Many wholly correct answers with a small number offering 'Karen' instead of capital. In other cases the debit entry for drawings was correct although the credit entry was sometimes give as 'car parts' or 'inventory'. There was some misinterpretation of the requirements of the question as some candidates entered 'ticks' in the boxes.
- (j) Generally very well attempted. Some candidates offered duality, prudence, consistency.
- (k) Most candidates did correctly identify two interested parties and on the whole candidates are attempted to offer more precise reasons for their interest. The most common interested party offered was the bank. Other common answers were the government and suppliers. Some candidates included shareholders and auditors forgetting that Karen was a sole trader.
- (l) This was very poorly answered. Very few candidates made any mention of affecting business decisions. There seemed to be some confusion with materiality and reliability, although many mentioned timeliness of information without completing the definition.

Question 3

- (a) Very few candidates offered the full definition of an asset. Most candidates mentioned 'something the business owns' but did not include 'something owed to the business'.
- (b) There were some good answers for both types of asset. The most common being assets lasting more than or less than twelve months. Many candidates could provide a reasonable definition of a current asset (popular answers were 'items for resale' or 'turned to cash quickly'), but there were less proficient answers explaining a non-current asset. Candidates also gave an opposite definition by inserting the word 'not'.
- (c) This was a correctly answered by the vast majority of candidates.
- (d) Similar problems to **part (b)** were encountered here although many candidates did seem to appreciate the need to state the length of duration of the liability and referred to an appropriate timescale.
- (e) (i)(ii) Most candidates offered good suggestions although some were not specific to a bakery. However items suggested were appropriate, for example, premises, motor vehicle and fixtures and fittings. **Part (ii)** was also well answered although some candidates referred to generic items such as raw materials/ work in progress.
- (f) (i) Many candidates gave wholly correct answers to one decimal place as required.
(ii) This question proved challenging for many candidates. Many were not able to use the method they correctly applied in (i) to identify the missing figure. There were many combinations of assets and liabilities used sometimes resulting in a negative figure. Candidates should be encouraged to apply a 'reasonableness' test on the suitability of their answer.

- (g) Many candidates understood the bank balance went from positive to negative but reasons offered were poor, many just relaying the information. Some candidates merely stated 'took an overdraft' or equivalent, without identifying reasons why this may have come about. Some candidates offered 'purchasing non-current assets' as a reason. Candidates should be encouraged to use the information provided in the question, for example, trade receivable increased significantly indicating some lack of credit control. Many candidates offered 'paying trade payables' as a reason but trade payables decreased indicating that she may have paid them early. Using the information on inventory from (f)(ii) candidates could also see that much more inventory had been purchased.

Question 4

- (a) There were many good attempts at this question where candidates understood that they were being given the opening and closing balances, a purchase during the year and were required to extract the disposal. Many were accurate in using dates.
- (b) Many candidates provided accurate answers. However, other candidates offered various combinations of calculations. It was common to see \$360 (depreciation on the acquisition) or \$2080 (depreciation on the opening balance \$17 200 and \$360).
- (c) Answers to this question were poor. A number of candidates did not attempt it and there was frequent reversal of the entries. Many did not seem to understand the impact of the transfer to the income statement using the figure calculated in (b) and where it was recognised many stated 'depreciation' and not 'income statement'. Only a small number of candidates recognised the transfer of the depreciation on the disposal. Many omitted this entry.
- (d) This was answered almost completely correctly.
- (e) Only a small number of candidates identified that the purchase had no effect on capital.
- (f) The majority of candidates answered this question correctly.

Question 5

- (a) Relatively few candidates could explain the meaning of a direct cost, although they seemed to be generally aware that it was to do with production and manufacturing but did not state that it was related to a product or unit. Generally meanings given were too vague.
- (b) Appropriate answers, relevant to a clothing manufacturer were given by many candidates. However there were references to sewing machines as a direct cost and many answers were too vague such as just labour/wages. Some candidates offered two types of material or just raw materials.

- (c) The most common answer was supervisor's salary which clearly indicates candidates know the difference between direct and indirect cost.
- (d) (i) There were many good attempts at this question. Most candidates recognised the elements of the cost of production. The most common error was to add rather than deduct the increase in the work in progress. Where information is given in this form, candidates should be encouraged to practice examples using an opening and closing figure for work in progress to understand the effect on production costs.
 - (ii) This question was generally answered very well. Occasionally the drawings were omitted however everything else treated correctly. However there were some poor attempts where candidates were confused between a manufacturing account and income statement and attempted to add production costs to revenue. Other candidates did not bring forward production costs from (i).
- (e) There were good suggestions why Mistry Clothing purchased finished goods.
- (f) Many candidates gained full credit. Recognition of calculating to two decimal places was observed by most candidates. Some candidates reversed the numerator and denominator and a small number used revenue for cost of sales.
- (g) Many candidates offered two good reasons for the fall in inventory turnover. The most common answers were 'lower sales activity' and 'increased inventory'. Some candidates seemed to be confused with increased/decreased sales activity with selling prices and revenue.

Question 6

- (a) Most candidates were well prepared on the appropriate entries in a cash book. However few gained full credit as the entry for capital proved challenging. It was omitted, wrongly labelled as capital or as 'balance b/d'. Few recognised the need for an entry for each partner. Most candidates correctly calculated the discount received from Bertie and some then entered this in the cash book. The sales of \$7900 were often entered as bank/cash and there were many inclusions of the sale to Charlie of \$500. Wages and rent were generally correctly applied.
- (b) (i) Relatively few candidates gained full credit here, the common error being the omission of the closing inventory. Some used the payment to Bertie (\$3880) for the cost of sales. A small number of candidates used sales of \$7900 after the deduction of the cash withheld.
 - (ii) This question was well attempted. The addition of the discount received included was dealt with correctly. The common errors were including rent for three months and a whole year of depreciation on the delivery vehicle and fixtures and fittings.
- (c) A statement of financial position for a partnership provided candidates with the opportunity to demonstrate their knowledge of the construction of a statement of financial position and how it is applied to a partnership. The non-current assets were on the whole executed accurately with the application of the own figure for depreciation from (b)(ii). Many candidates did not use headings 'Cost' and 'Accumulated depreciation'. On the current assets the main omissions were the 'other receivables' and 'inventory'. Most candidates recognised there was a figure necessary for 'bank' and on the whole realised this was from (a). It was common to see a bank figure of \$10 000 or \$7900. Some candidates arrived at an overdrawn figure in (a) but showed this as a current asset. The capital section seemed to be difficult for many candidates. Only the capital, \$5000, for each partner was shown in the capital accounts and the introduction of the fixed assets were either omitted or shown as part of the current account. Many candidates, however, applied the correct profit sharing ratio from their profit calculated in (b)(ii) but many labelled this as 'profit' rather than current account on the statement. Many candidates showed only a total for capital and profit as if for a sole trader.

ACCOUNTING

Paper 0452/12
Paper 12

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ACCOUNTING

Paper 0452/13
Written

Key Messages

It is important to have appropriate narratives in ledger accounts which link to the other ledger account involved and not to describe the action taking place. Abbreviations should be avoided. Do not merge entries together in ledger accounts for example, debit bank balances for **3(c)**.

Candidates should indicate if they have re-written answers in a different section so that examiners can trace their answers.

It is expected that candidates will use International Accounting Terminology.

General Comments

All the questions were compulsory and covered various topics on the syllabus. Overall, the paper was well attempted by a number of candidates. There were some exceptional scripts where candidates had clearly been well prepared.

Comments on Specific Questions

Question 1

Generally **(a)**, **(b)**, **(c)**, **(d)**, **(h)**, **(i)**, **(j)**, were well answered. Candidates found parts **(e)**, **(f)** and **(g)** challenging.

- (e)** Statement 2 that capital employed equals owner's capital less non-current liabilities is incorrect. Statements 1 and 3 are correct. Therefore the correct answer is option B.
- (f)** The key word in the question was the **total** amount credited. Candidates needed to adjust the profit for the year for the interest on capital, $\$60\,000 - \$6\,000 = \$54\,000$ and then divide by two to calculate Jamila's share, $\$27\,000$ and then add the $\$4\,000$ interest on capital to gain $\$31\,000$ which is option D.
- (g)** The question required candidates to determine by how much did **total** equity increase during the year. The transfer to general reserve needs ignoring as this has no overall impact as it is a movement within the statement of changes of equity.

Question 2

- (a) Many wholly correct answers were there. Where errors were made it tended to be on items two and three.
- (b) Majority of candidates gave correct answers with loans and trade payables being the most popular.
- (c) For the credit entry the word provision was often missing. Some candidates referred to the bank or a non-current asset. The debit entry needed to be the income statement and not the depreciation expense account which many wrote.
- (d) Answers tended to concentrate on there being fewer entries in the ledger, sharing the work load and easy reference. Some candidates incorrectly suggested that these books would reduce errors and fraud and provide totals of the amounts owing or owed. Some answers were more suitable for the trial balance with 'help in preparing financial statements' as a common answer.
- (e) While some candidates answered this question well, common error was referring to ledgers instead of books of prime entry. Source documents were not always described specifically, for example, invoice rather than sales invoice or purchase invoice.
- (f) This was answered reasonably well. Some candidates incorrectly assumed that the service business was in the public sector with references to helping the public or that a service business is a club providing facilities for its members.
- (g) Many candidates found it challenging to distinguish between the accounts of service businesses and trading businesses.
- (h) This was generally well answered. Some candidates used incorrect wording, for example, monetary measurement instead of money measurement.

Question 3

- (a) This was generally answered well. Some candidates calculated rent for 8 months or split the year incorrectly.
- (b) The majority of candidates appreciated that this represented an accrual although some related it to a trade supplier or an overdraft. The most common error was to identify the figure as a prepayment. A few appeared to misunderstand the question and provided a variety of figures.
- (c) There were varied answers here. Some weak responses completely reversed the account. Common errors included; incorrect dates, omission of income statement entry, adding all bank entries together rather than showing them separately and using the narrative rent instead of bank. Another common error was not bringing down \$13 600 from **3(a)** or using a different figure even if **3(a)** was correct. The figure was sometimes completely ignored.
- (d) Many candidates did not make adjustments to the sales and sales returns for the trade discount. Many candidates simply used the gross figures. Some showed the trade discount as a separate item within the account. Even those candidates who correctly used the net figures for sales did not adjust the returns for the trade discount.

- (e) This question was generally answered incorrectly. This question required a thorough understanding of the book-keeping system. Precise wording was required and not just purchases ledger control account and sales ledger control account.
- (f) A correct answer was usually provided here but some candidates did answer with unfinished goods or manufacturing account.
- (g) Most candidates answered this question well. The most common error was associating carriage inwards with the income statement only. Whilst this is possible it is more likely to be found on the manufacturing account.

Question 4

- (a) This was well answered with additional capital, sharing losses and sharing work load being popular correct responses.
- (b) Many candidates correctly stated that it would avoid disagreements in the future. A number did not appear to fully appreciate what the question was asking and they suggested items which should be included in an agreement.
- (c) Most candidates answered well on this question. Interest on capital and interest on drawings were popular responses.
- (d) Most candidates correctly indicated bank as a credit entry. Many stated drawings for the debit entry but did not specify Rajiv's drawings.
- (e) Most candidates did not answer this question correctly. Common errors were; repeating the entries for 4(d) or debit current account and credit drawings. It was necessary to be specific in this question with reference to Rajiv on both entries.
- (f) There were varied answers on this question. Common errors included; entering fees as a debit entry, entering provision for depreciation as a debit entry, entering drawings as credit entries and showing the \$900 on Friedrich's current account as a negative credit balance. Most candidates did attempt to calculate the missing figure.

Question 5

- (a) Some candidates answered well on this question. A significant number of weaker responses included the extraneous item of cash sales.
- (b) Once again performance of candidates varied on this question. Some candidates incorrectly labelled the discount received as income statement. Some struggled which side to place the balance carried down which was a given figure.
- (c) Some candidates answered this question well. There was a wide range of styles of presentation of layout. A common error was to provide an incorrect figure for depreciation. Some candidates found it difficult to determine the missing figures and so just showed the assets and liabilities sections. If they did attempt the capital section they often just showed the opening capital and subtracted the drawings. Candidates often mistakenly placed the bank overdraft as a non-current liability rather than a current liability.
- (d) Stronger responses recognised not only that drawings were excessive but that they need to be reduced to prevent financial problems in the future. Some candidates misread the question as they commented on accounting principles and more specifically business entity. Correct responses were sometimes restricted to stating that drawings were too high and stronger responses made comparisons between the amount of drawings, profit for the year and capital.

Question 6

- (a) The main error in the income statement was the inclusion of extraneous items such as subscriptions and club expenses, mainly the rent. Many did not make adjustments for purchases for the opening and closing amounts owing. There was incorrect labelling for the loss for the year which some candidates using deficit instead.
- (b) There were wide variations in candidate performance. Common errors included; incorrect calculation of subscriptions, addition of shop sales as income, inclusion of shop wages in expenses, inclusion of club equipment at cost, incomplete labelling of depreciation of club equipment, incorrect calculation of depreciation and poor labelling of deficit.
- (c) Again, there were wide variations in candidate performance. Many candidates did not seem to know the formula for mark-up. Common errors were using the profit for the year as numerator and then the sales as denominator and rounding to one decimal place or to the nearest whole number.
- (d) Candidates found this question to be most challenging. Whilst most candidates attempted this question, a significant number left it blank. The common errors were not using their own cost of sales from **6(a)** and using the sales figure instead of \$6700. Commission was generally correctly calculated and computer costs included.
- (e) Most candidates were able to suggest two acceptable ways in which the financial position could be improved. Common errors included referring to increasing capital or general comments about increasing sales or decreasing purchases.
- (f) Stronger responses stated that members were not owners or had not invested in the business, but few then stated they were not entitled to a return on investment. Common errors were; reference to not being shareholders, reference to non-profit organisation but nothing else.

ACCOUNTING

Paper 0452/21
Paper 21

Key messages

All the questions on this structured paper were compulsory. The paper covered a wide range of syllabus topics.

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. For example, to get full credit candidates were expected to follow an instruction to calculate the percentage of gross profit to revenue correct to two decimal places. A factually correct statement which is not the answer to the question being asked cannot be awarded credit. For example, stating the formula for the gross profit percentage is not an acceptable answer to a question asking for reasons for the change in the ratio. Where a question requires candidate to provide a set number of points this instruction must be followed.

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.

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 'bbd' for 'balance' in ledger accounts or 'TR' for 'Trade Receivables' and 'PDD' for 'Provision for Doubtful debts' in financial statements.

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

General comments

It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

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

Comments on specific questions

Question 1

- (a) Candidates were required to name the source of information for four items appearing in a sales ledger control account. Most candidates correctly identified the books for items one and three. Many candidates had problems in identifying the journal as the response for items two and four.
- (b) Two reasons for the preparation of a purchases ledger control account were required. Many responses correctly mentioned reducing fraud and checking for errors. A number of candidates erroneously believed that the purchase ledger control account is used to calculate purchases. The account may help in reducing and discovering fraud but will not actually prevent it. Some answers lacked precision. For example 'checks arithmetical accuracy' was not regarded as adequate as it should have been related specifically to the purchases ledger.
- (c) Using information provided candidates were required to prepare a purchases ledger control account. Most candidates answered well. Common errors included entering the contra item on both sides; or including extraneous items such as cash purchases and discount allowed; or not taking the debit balance into consideration when calculating the credit balance and incorrect details such as 'cheque' and 'refund'.
- (d) Many candidates understood that discount may be available, but they did not specify whether the discount referred to was cash discount or trade discount.
- (e) The fact that the money would not be available for other uses within the business was explained by many candidates. Some incorrectly stated that the working capital would be decreased. A significant number appear to have misunderstood the question and provided a disadvantage of paying a supplier after the due date.

Question 2

- (a) Candidates had to identify the books of prime (original) entry in which various business documents would be entered by a supplier and a customer. There were some wholly correct responses.
- Common errors included making reference to ledgers; or confusing the supplier with the customer; or not recognising that debit notes and statements of account do not appear in accounting records.
- (b) The name of the person issuing various business documents and the reason for the issue of each document had to be stated. A common error was to use 'supplier' and 'customer' rather than the name of the trade as required by the question. Most candidates were able to suggest a valid reason for the issue of the documents, but some found it challenging to express themselves clearly. Others did not appear to understand the purpose of these documents.
- (c) The account of the credit customer had to be prepared in the books of the supplier. Candidates with a good understanding of double entry were able to earn marks. Common errors included incorrect details such as 'purchases' and 'invoice' for 'sales'; or inclusion of the debit note and the statement of account.

Question 3

- (a) Candidates were required to state the meaning of three terms relating to clubs and societies. Most candidates understood that subscriptions were the amounts paid by members to use the facilities of the club. A few incorrectly referred to amounts received from customers or fees to join the club.

The majority of candidates knew that accumulated fund represents the 'capital' of a club but often incorrectly referred to the funds invested by the owners of the club.

Very few candidates were able to explain that a receipts and payments account is a summary of the cash book: most stated that it was the cash book of a club.

- (b) Using information provided, the income statement of a shop had to be prepared. Most candidates earned some of the available marks. Common errors included not adjusting the purchases for the amount due to suppliers; or incorrect treatment of the loan to shop assistant; or inclusion of extraneous items; or incorrect calculation of the shop expenses; or incorrect labelling of the shop profit.
- (c) Candidates were required to prepare an income and expenditure account. Once again, most candidates answered this well. Common errors included incorrect calculations of the subscriptions and some of the expenses; or inclusion of extraneous items; or including loan interest for twelve months instead of six months; or not including the name of the asset being depreciated; or incorrect labelling of the deficit.

Question 4

- (a) Some candidates found it difficult to express themselves when stating the meaning of three accounting terms. Most candidates understood the term 'bad debts' but a few incorrectly stated that these are debts which *may* not be paid or amounts not yet paid by customers. When explaining the term 'bad debts recovered' mention should have been made of the fact that these are debts which had previously been written off; it was not adequate to state 'amounts received from credit customers'. Candidates should understand that a provision for doubtful debts does not represent a sum of money. It is an estimate of the amount a business will lose in a financial period because of bad debts.
- (b) Most candidates were able to identify at least one of the accounting principles applied by maintaining a provision for doubtful debts.
- (c) The question required candidates to suggest two ways in which the possibility of bad debts could be reduced. Common correct responses included reducing credit sales/selling for cash only, obtaining references from new credit customers, and refusing further supplies until outstanding debts were paid. A few answers were inadequate. For example, it was not acceptable to simply state 'give discount' or 'send invoices'.
- (d) Three journal entries had to be prepared. Many candidates would benefit from extra practice on journal entries. To write off a bad debt the bad debts account should have been debited and the account of Uzma should have been credited. Closing the bad debts account at the end of the financial year required the income statement to be debited and the bad debts account to be credited. The amount was \$2314 which was the total bad debts for the year. To adjust the provision for doubtful debts the income statement to be debited and the provision for doubtful debts account to be credited. The amount was \$138 which represented the increase in the provision from \$1450 to \$1588 (2% of \$79 400).

- (e) An extract from the statement of financial position was required showing the entry for trade receivables. Many candidates found this challenging. The provision for doubtful debts of \$1588 should have been deducted from the trade receivables (\$79 400) to show the net figure. Some candidates seemed to confuse the presentation with that of non-current assets and attempted a columnar format. Other candidates wrote down figures but no accompanying descriptions.

Question 5

- (a) A statement of changes in equity had to be completed. There were some wholly correct responses, but many candidates would have benefitted from additional practice on this topic. Some candidates correctly entered the profit for the year, but then were unsure about the entries required for the dividend paid and the transfer to reserve.
- (b) Using information provided, candidates were required to prepare the statement of financial position for a limited company.

A significant number of candidates included only the net book value of the non-current assets. Alternatively, a large number showed the three figures for each asset, but did not head the columns with "cost", "accumulated depreciation" and "net book value". The presentation of the trade receivables was also often incorrect. The gross figure for the trade receivables should have been shown less the provision for doubtful debts (words and figure).

Other common errors included including the bank overdraft in the current assets; or including debentures in the current liabilities; or within the equity and reserves; or including interest on debentures when no entry was required for this item; or completely omitting the equity and reserves section or showing a total figure for the equity and reserves without itemising the components.

- (c) Candidates were required to calculate the collection period for trade receivables and the payment period for trade payables, and to comment on their answers. Many candidates answered well on this question. A few candidates incorrectly included cash sales and cash purchases in their calculations. Some incorrectly multiplied by 28 days and 30 days rather than 365 days.

Many candidates stated that both the periods fell within the number of days allowed. Only the more able candidates also mentioned the effect on the company's liquidity and the possibility of giving and receiving cash discount.

Question 6

- (a) Using information provided, candidates were required to calculate the gross profit, revenue, percentage of gross profit to revenue and percentage of profit for the year to revenue.

A large number of candidates calculated the gross profit which was 30% of the cost of sales. Many candidates also provided the correct answer of \$370 500 for the revenue, which was the cost of sales plus the gross profit.

Using the figures calculated for gross profit and revenue, many candidates were able to earn the available marks for the percentage of gross profit to revenue. Some candidates did not provide the answer correct to two decimal places.

The given figure of profit for the year had to be expressed as a percentage of the figure for revenue calculated in the first part of the question. Again, many candidates earned the available marks, though some did not provide the answer correct to two decimal places.

- (b) Candidates were required to suggest two reasons for the increase in the percentage of gross profit to revenue. Correct responses referred to an increase in the selling price and a decrease in the cost of purchases. Common errors included reference to increase in quantity of goods sold; or decrease in quantity of goods purchased.
- (c) Two reasons for the decrease in the percentage of profit for the year to revenue had to be suggested. Many candidates identified higher expenses as the reason, but could not suggest another reason.

- (d) A statement had to be completed showing the effect of correcting of various errors on the profit for the year and the corrected profit figure.

Many candidates correctly identified whether the errors would increase or decrease the profit but often provided incorrect figures. Errors four and five proved to be the most challenging.

Some candidates did not earn the own figure mark for the corrected profit because of incorrect calculations. Common errors included omission of the \$110 which was provided as an example; or adjusting the profit with the total of the increase and decrease columns; or deducting a net increase from the draft profit; or adding a net decrease to the profit.

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

All the questions on this structured paper were compulsory. The paper covered a wide range of syllabus topics.

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. For example, to get full credit candidates were expected to follow an instruction to calculate the percentage of gross profit to revenue correct to two decimal places. A factually correct statement which is not the answer to the question being asked cannot be awarded credit. For example, stating the formula for the gross profit percentage is not an acceptable answer to a question asking for reasons for the change in the ratio. Where a question requires candidate to provide a set number of points this instruction must be followed.

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.

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 'bbd' for 'balance' in ledger accounts or 'TR' for 'Trade Receivables' and 'PDD' for 'Provision for Doubtful debts' in financial statements.

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

General comments

It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

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

Comments on specific questions

Question 1

- (a) Candidates were required to name the source of information for four items appearing in a sales ledger control account. Most candidates correctly identified the books for items one and three. Many candidates had problems in identifying the journal as the response for items two and four.
- (b) Two reasons for the preparation of a purchases ledger control account were required. Many responses correctly mentioned reducing fraud and checking for errors. A number of candidates erroneously believed that the purchase ledger control account is used to calculate purchases. The account may help in reducing and discovering fraud but will not actually prevent it. Some answers lacked precision. For example 'checks arithmetical accuracy' was not regarded as adequate as it should have been related specifically to the purchases ledger.
- (c) Using information provided candidates were required to prepare a purchases ledger control account. Most candidates answered well. Common errors included entering the contra item on both sides; or including extraneous items such as cash purchases and discount allowed; or not taking the debit balance into consideration when calculating the credit balance and incorrect details such as 'cheque' and 'refund'.
- (d) Many candidates understood that discount may be available, but they did not specify whether the discount referred to was cash discount or trade discount.
- (e) The fact that the money would not be available for other uses within the business was explained by many candidates. Some incorrectly stated that the working capital would be decreased. A significant number appear to have misunderstood the question and provided a disadvantage of paying a supplier after the due date.

Question 2

- (a) Candidates had to identify the books of prime (original) entry in which various business documents would be entered by a supplier and a customer. There were some wholly correct responses.
- Common errors included making reference to ledgers; or confusing the supplier with the customer; or not recognising that debit notes and statements of account do not appear in accounting records.
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ACCOUNTING

Paper 0452/23
Paper 22

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It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

Comments on specific questions

Question 1

Part (a)

Using information provided, candidates were asked to complete and balance a cash book.

Many candidates used incorrect wording in the details column providing a description of the transaction rather than the name of the account in which the double entry would be made. For example, "Office Equipment" should be used and not "Purchase of Office Equipment".

Some weak responses used incorrect cash balance even though it was given in question.

Part (b)

Candidates were required to state why it is not possible to have a credit balance in the cash column of the cash book. This was well answered by a vast majority of candidates. However, there were a few candidates who merely repeated the question as their response without providing a reason.

Part (c)

There were many good responses. Common errors on weaker responses included:

- "to reduce fraud" rather than "to identify/discover fraud"
- "to correct errors" rather than "to identify errors"
- "to identify errors/omissions" without indicating where errors/omissions could be found, e.g. "to identify omissions from cash book".

Part (d)

Most candidates correctly identified two items that may appear in the cash book but not in the bank statement

Part (e)

Candidates were required to state whether a course of action would result in an increase, decrease or have no effect on working capital. Many candidates correctly stated the effect of the action on the working capital. Very few correctly explained the reason for their answer. The reason should have indicated the effect on both the current assets and current liabilities. Many candidates stated the effect on only one of these. For example, candidates correctly indicated that to create a provision for doubtful debts would decrease working capital and cause the current assets to reduce without stating that it would have no effect on current liabilities.

Question 2

Part (a)

Most candidates made a reasonable attempt at this question and included the items within the correct sections in the statement. However, weaker responses included some common errors:

- Only the net book value of non-current assets shown
- Where cost and depreciation to date of non-current assets were shown these were commonly not totalled
- Incorrect presentation of trade receivables and provision for doubtful debts which were often incorrectly shown using three columns horizontally
- Amount of provision for doubtful debts was shown without any label
- Incorrect classification of bank overdraft, prepayments or accruals
- Use of incorrect label for accruals/prepayments, e.g. "rates" as opposed to the correct description of "Other Receivables"
- Debentures wrongly included in equity section or as a current liability.
- No details shown in the equity section

Part (b)

Candidates were asked to state the meaning of issued share capital, called up share capital and paid up share capital. Many candidates simply repeated the question as their answer rather than attempting to explain to whom the shares were issued, from whom the money was requested, etc.

Question 3

Part (a)

Candidates were required to explain the entries in a provision for doubtful debts account. They also had to name the account in which the double entry would be made stating whether the account would be debited or credited. For example, a correct answer for the "01 November 2015 balance b/d" would state that "this is the total of the provision for doubtful debts on that date" and that the double entry would be "to debit the provision for doubtful debts account for the previous year".

Many candidates did not appreciate that the balance carried down represented the provision for doubtful debts at that particular date.

Part (b)

Candidates were asked to state the entry for the provision for doubtful debts that would appear in the statement of financial position on 31 October 2016.

Many candidates did not mention the amount of the provision and often stated that the provision was deducted from current assets rather than referring to a deduction from trade receivables.

Part (c)

The question required candidates to complete journal entries to record two transactions.

A number of candidates incorrectly attempted to provide an entry to record depreciation of an asset instead of the introduction of a personal asset into the business as capital.

Journal entries should state the names of the accounts that would be debited and credited rather than writing out the transaction. Appropriate account names should be used.

Common errors included:

- Incorrect narratives, e.g. "printer" rather than "office equipment", "repairs to computer" rather than "repairs to office equipment"
- Complete reversal of the journal entries
- Lack of narratives

Part (d)

Candidates demonstrated reasonable knowledge as to what constitutes capital and revenue expenditure.

Part (e)

Candidates were asked to indicate the effect on profit of two errors. Many candidates were able to provide wholly correct answers to this question.

Question 4

Part (a)

This question required candidates to indicate the effect on the profit for the year of correcting four errors. There were some very good responses to this question.

Common errors included:

- Not realising that the profit would be affected by twice the amount of the discount
- Not being aware that correcting the errors involving the provision for doubtful debts and inventory resulted in an increase in the profit

Part (b)

Using the information provided, candidates were required to prepare an income statement showing purchases for the year. Candidates had to calculate the gross profit using the profit margin and then to work “backwards” to establish cost of sales and subsequently the purchases figures.

Common errors included:

- Gross profit calculated as 1/5 of the net sales rather than 1/6 of the net sales
- Complete omission of gross profit and purchases and just a listing of the items provided in the question
- Sales returns incorrectly included in cost of sales calculations
- Carriage inwards deducted from rather than added to cost of sales

Question 5

Part (a)

Most candidates were able to correctly identify an alternative to the reducing diminishing balance method of depreciation.

Part (b)

An explanation was required of how providing depreciation of non-current assets is an application of the principle of accruals (matching).

Many candidates often referred to assets in general rather than specifically to non-current assets.

Few candidates explained that the cost of a non-current asset is “matched” or “set against” the revenue for the same accounting period. Alternatively, they could have explained that the cost of a non-current asset is “matched with” or “spread over” the years that benefit from its use.

Part (c)

The vast majority of candidates correctly identified “prudence” as another accounting principle which is applied when providing for depreciation of non-current assets.

Part (d)

Candidates were required to calculate the depreciation for a machine for two years.

Most candidates showed their workings. A significant number of candidates included the figures for net book value in the calculations but did not indicate which figures represented the depreciation.

When calculating the depreciation of Machine A, many candidates did not take into account the depreciation for 2014 in order to ascertain the net book value on 1 August 2015.

When calculating the depreciation of Machine B, many candidates did not apply the instruction that depreciation was charged on all assets held at the end of each accounting year, irrespective of the date of purchase.

Part (e)

Candidates were required to prepare the machinery account and the provision for depreciation account.

There were very few wholly correct answers. Common errors included:

- Omission of dates or incomplete dates
- Depreciation incorrectly included in the asset account and cost of assets included in the depreciation account.
- Incorrect wording in the details column
- Incorrectly transferring the depreciation for the year to an expense account instead of directly to the income statement
- Not selecting the appropriate figures from the calculations in **Part (d)**.
- A list of individual figures for each machine brought down as balances rather than one overall balance brought down on each account.

Part (f)

Calculations were required to calculate the profit or loss on disposal of a machine.

There were many good responses. There was some evidence that weaker responses were confused between cost and net book value. The most common error when calculating the total depreciation at the date of disposal was the omission of the depreciation of \$600 relating to 2014.

Question 6

Part (a)

Candidates were required to calculate gross profit and net profit margins from the information provided.

The vast majority of candidates showed a clear understanding of this topic. Those candidates who produced incorrect answers often did not show workings and could not get any credit.

Part (b)

The question required candidates to suggest two reasons for the difference in the percentage of gross profit to revenue. Many responses were far too vague and imprecise. For example, a response of 'Selling price was higher' was not considered adequate as it did not specify the business to which the statement referred.

Part (c)

Candidates were required to suggest two reasons for the difference in the net profit margin.
Common errors included:

- Omitting the name of the business that the comment was referring to
- Being imprecise and referring to "income" rather than "other income"
- Referring to an individual expense rather than the amount of expenses in total

Part (d)

The majority of candidates were able to correctly identify which business had better control on its expenses.

Part (e)

Candidates were required to complete a table showing how courses of action would affect the net profit margin.

This was reasonably well attempted with no one element appearing to cause more difficulty than others.

Part (f)

The question required candidates to state how historical cost and non-financial factors may be regarded as a limitation of financial statements.

Most candidates found this question challenging.

Many candidates made reference to the history of the business rather than historical cost. However, there were some good answers that made reference to “transactions being recorded at cost price” and as such “it is difficult to compare transactions taking place at different times”

For the non-financial factors, many seemed to have some understanding but had problems expressing themselves. Some demonstrated a reasonable understanding of the money measurement principle but did not explain that because of this a significant amount of information is not included in the financial statements.