

ACCOUNTING

Paper 0452/11

Paper 11

Key Messages

The paper comprised a mixture of questions, with **Question 1** being multiple choice questions.

With the multiple choice questions candidates are recommended never to leave an answer blank.

Candidates are required to use International Accounting Standards (IAS) terminology where appropriate.

There seems to be a lack of knowledge of basic double entry when preparing ledger accounts. This is particularly true when preparing expenses accounts as in Question 2(f).

Several of the answers required the completion of ledger accounts. In many instances balances on the accounts were not brought down to the next accounting period. Candidates should always close the account and bring down the balance. Reviewing the mark scheme will reveal that marks are awarded for doing this.

When closing the ledger accounts candidates should write in full balance c/d and balance b/d, not abbreviate them to BCD and BBD. Likewise in financial statements, abbreviations such as gp for gross profit must be avoided.

Correct dates should always be used when recording transactions.

Candidates should also remember that when making entries in ledger accounts the correct narrative is the name of the account where the opposite entry can be found. Narratives such as 'cash book' or 'trade receivables' were often wrongly used. These are not accounts found in the ledger.

General Comments

There were a number of very good papers presented by candidates.

Comments on Specific Questions

Question 1

Generally **Question 1** was done quite well. There were only three multiple choice questions where less than 70% of candidates answered correctly. These have been considered below.

- (e) The provision for doubtful debts is always shown in the current assets section of the statement of financial position, where it is deducted from the figure for trade receivables, hence the key **C**.
- (f) Inventory is always valued at the lower of cost and net realisable value. Where the net realisable value is lower than cost this figure is used to recognise losses as soon as they are incurred. Thus the key here was **D**.
- (j) This question proved particularly challenging. The key was **A** as accounting information is most relevant when it can be compared with information for other periods.

Question 2

This question was also quite well attempted by most candidates.

- (a) Most candidates correctly identified which items given would be shown as either an asset or liability.
- (b) Most candidates correctly identified whether an asset and liability have a debit or credit balance and whether an expense and income account have a debit or credit balance.
- (c) Virtually everyone named a suitable expense account. Some though did state provision for doubtful debts, which was not rewarded as a reduction in provision would be credited in the income statement. Similarly, provision for depreciation was not rewarded as this is an item on the statement of financial position.
- (d) The only issue here was that a significant number of candidates put profit and loss account rather than income statement. Candidates can lose marks where IAS terminology is not used.
- (e) Most candidates correctly identified that every transaction has a twofold aspect (duality, or double entry). However, a number of candidates wrongly stated that revenue can be recorded before it is earned. Some also wrongly thought that staff expertise can be recorded in the financial statements.
- (f) Candidates were required to prepare an insurance account for a year. This was not well done. A high number of candidates wrongly started the account with an opening balance of \$ 1200, rather than \$ 300. Many candidates were also unable to calculate the insurance prepaid to carry down at the 31 December 2014, thus balancing the account with the transfer to the income statement. Finally, the dates recorded were often inaccurate; particularly the change from 2014 to 2015 with the closing balance carried down and brought down.
- (g) Candidates stated that the purpose of preparing a trial balance was to check the accuracy. It is prepared to check the accuracy of the double entry, which was required to be stated in the answer.
- (h) This required candidates to prepare a trial balance from a list of given balances. This was generally well done, with most correctly calculating the capital figure. The most common mistakes were the inclusion of both motor vehicles and provision for depreciation of motor vehicles as debit balances and showing trade payables and trade receivables on the wrong side.
- (i) Candidates were asked to identify the date of the inventory shown in the trial balance. It is only the opening inventory which is shown, thus the correct date was 1 January 2014. A significant number wrongly thought it was the closing inventory and thus put 31 December 2014.

Question 3

- (a) Most candidates correctly identified two books of prime entry. However, identifying the source document was not well done. A large number simply put 'invoice', against sales or purchases journals, rather than sales invoice or purchase invoice.
- (b) This was not well done. The most common wrong answers were to help prepare the financial statements or to prepare the control accounts.
- (c) Identifying two accounts posted with the totals from the three column cash book provided a variety of incorrect answers including sales and purchases ledger control accounts and petty cash book.
- (d) Most candidates identified that a dishonoured cheque was one which had been refused by the debtor's bank.
- (e) When identifying which account should be debited and which account credited with the dishonoured cheque, the most common errors were not to put the name of the debtor (Pierre) but to state 'debtor' and show the credit entry as 'cash book'. Neither of these are ledger accounts.
- (f) Most correctly identified bank reconciliation statement as the correct answer.

- (g) When stating what is meant by a bank overdraft the most common wrong answer was that it means more money is taken out of the account than is paid in. It would be possible to take \$1000 from the bank and only pay in \$200, yet have a balance of \$1800. Thus an overdraft would not be the result. The answer needed to link to taking out more than the balance in the account, thus creating a liability to the bank.
- (h) This was not well done. When the business has a bank overdraft it will have a credit balance in the cash book and, thus a debit balance on the bank statement. Almost half the candidates thought the opposite.
- (i) The most common wrong answer was not to state a ledger account, but to state Abdoulaye and cash book.

Question 4

This question proved to be the most difficult on the paper.

- (a) The preparation of the statement of financial position was not well done. There was a significant use of non-IAS terminology, for non-current assets, trade receivables and payables and non-current liabilities. The debentures were often wrongly included in the capital and reserves and the bank loan in the current liabilities. Ordinary share capital was often quoted as \$250 000 as candidates failed to recognise that the par value of the shares was \$0.50. In the worst cases candidates simply provided a list of all the items without any headings or sub totals. A variety of layouts were also used, although credit was given where appropriate.
- (b) This was a challenging question and both this section and part (c) were not well done. Indeed a significant number of candidates did not attempt either section. For part (b), the two retained earnings figures needed to be deducted from each other. The ordinary and preference dividends paid should then have been added back to arrive at the profit for the year.
- (c) The starting position here was the closing answer to part (b), yet many candidates started a completely new calculation. The bank interest and debenture interest should have been added to the profit for the year to arrive at the profit from operations.
- (d) The calculation of the return on capital employed should have been based on the profit from operations from part (c) and capital employed from part (a). The figure for capital employed should have been the total of the capital and reserves plus the non-current liabilities. Often the latter was not included.
- (e) This was not well answered. The reason why the directors calculate the return on capital employed is to compare it with similar firms, or with the figure from previous years, or with returns which could be obtained from less risky investments.
- (f) This was not well answered, with many candidates talking about debentures receiving interest and shares dividends, rather than considering the possible loss of control if more ordinary shares are issued.

Question 5

This question also proved quite challenging, with only parts (a) and (e) well attempted by candidates.

- (a) This was quite well attempted by many candidates. Most correctly calculated the gross profit and, by deduction the cost of sales and purchases. The profit for the year was also well done. The main difficulty was with candidates not realising that the figure for the expenses was the difference between their figures calculated for gross profit and profit for the year.
- (b) This was not well answered. Some correctly identified that the main reason for the difference was that the brother had better control of his expenses. The most common wrong answer was that the brother had less expenses, which may be correct but needed some clarification such as because he has a larger business and thus can achieve economies of scale.

- (c) This was not well done. The figures for the calculation came from part (a). The average inventory should have been divided by the cost of sales figure calculated and multiplied by 365 to arrive at the number of days. The question asked for the answer to be rounded up to the nearest whole day, which some candidates ignored or rounded down because it was less than 0.5. It also seemed apparent that many candidates did not know the formula to calculate the inventory turnover in days.
- (d) This was also not well done. A faster rate of inventory turnover between businesses will be as a result of one having a higher sales activity or more efficient purchasing, not just higher sales or lower purchases, which was often stated. The business with the lower inventory levels is also a valid reason for it having a faster inventory turnover. However, this was rarely mentioned.
- (e) Most candidates correctly stated two valid reasons why the parties should form a partnership. However, two common wrong answers were that profits can be shared and that better decisions can be made. The sharing of profits is not really an advantage and even though two parties can discuss business decisions, it may not result in a better outcome.

Question 6

- (a) This required the preparation of a subscriptions account for a club. The answers were mixed, with some candidates earning full marks. By far the most common mistake was to state income statement rather than income and expenditure account for the transfer of the subscriptions for the year. Other common errors in labelling was to show the balances as arrears or owing brought down rather than balance brought down, or in deed carried down. The other common mistake was in posting the opening and closing balances to the wrong side of the account. Subscriptions in arrears are debit balances when brought down and subscriptions owing are credit balances.
- (b) This account was not well done. The figure paid to café suppliers was often posted to the credit of the trade payables account or, in many cases left out altogether. Candidates also struggled with the opening and closing balances of trade payables, often posting them to the wrong side of the account. All these errors left the purchases figure on the debit side of the account or the difference between the opening and closing balances.
- (c) Attempts at this question were also mixed. Some achieved full marks, by bringing in their own purchases figure. Typically though many ignored what they had done on (b) and put in the purchases figure as the amount paid to suppliers. Inventory was also labelled as stock on a number of scripts. The figure for wages was also sometimes included with the cost of sales figure rather than as an expense below the gross profit.
- (d) The preparation of the income and expenditure account was not well done. Many candidates brought in the café takings and purchases again, rather than their calculate profit or loss from (c). The figure for subscriptions received was often included rather than the transfer calculated in (a). Likewise, the purchase of new equipment was frequently included as an expense. Finally, if a surplus or deficit was calculated at all marks were sometimes not awarded for it being labelled as a profit or loss.

ACCOUNTING

Paper 0452/12

Paper 12

Key Messages

- In general candidates presented well laid out legible answers. Candidates should note that where a question asks for an account to be provided, they should show debit and credit sides of the account along with dates, details and amounts, plus carry down the balance.
- Correct dates and labels are essential in order to obtain the marks.
- Candidates should avoid abbreviations.
- Use of IAS terminology is also essential.

Comments on Specific Questions

Question 1

Generally (a), (b), (e), (g), (h) and (j) were generally well done.

Parts (c), (d) and (j) caused the most problems.

- (c) Candidates needed to recognise that a bank statement credit balance of \$ 300 reflects a debit balance in the cash book and with non-presented cheques of \$ 120 made the cash book stand at \$ 420.
- (d) Capital expenditure items were the computer system at \$ 8000 and the delivery cost of \$ 70.

Question 2

- (a) Most candidates were able to provide a correct answer to this question although a few lost marks by either using letters rather than words or stating capital equal assets plus liabilities.
- (b) The majority of candidates did not earn a mark here because they provided the answer something owned by the business, omitting 'and owed to the business'.
- (c) Many candidates used the phrase balance sheet rather than statement of financial position.
- (d) This question was generally well answered. It should be noted that sales are found in the general ledger and not in the sales ledger. Similarly provision for depreciation is shown as a credit in the trial balance.
- (e) There were a number of correct answers the commonest correct answer related to enabling a division of work.
- (f) Candidates should ensure they read the question and provide an answer to the question that prepares a trial balance. Of those of which did provide a valid answer the majority earned only one mark because they failed to recognise that they needed to relate the answer to a particular date.

- (g) Many candidates simply repeated their answer to (f) and this time were able to earn a mark.
- (i) Most candidates were able to identify and correctly describe two errors. Whilst all answers were offered the commonest answers were reversal and compensating. Candidates should note that the error of commission needed to identify that it was in the same class.

Question 3

- (a) Whilst the majority of the stronger candidates provided completely correct answers, candidates should note the following:
- Farhead was a customer rather than a supplier and consequently this was a trade receivables account.
- Common errors were:
- treating the opening balance as a credit
 - using the narrative purchases, and purchase returns
 - reversing the entries
 - wrong narrative for discount allowed
 - not bringing the balance down
 - using the abbreviations b/d and c/d rather than balance brought down, etc.
- (b) Many candidates identified the documents but failed to develop a valid reason and simply repeated the question.
- (c) A number of candidates lost marks because they did not use the word journal in their answers to one and two and simply stated for example sales or sales book rather than sales journal or sales day book.
- (d) To answer this question successfully candidates needed to recognise that the amount owed would be \$400 ($2 \times \200) and would have appeared as a credit opening balance. Similarly the candidates needed to realise that there was a prepayment of \$720 ($3 \times \420) which would appear as a balance carried down of \$720. The income statement figure was \$2680 ($5 \times \$200 + 7 \times \240). The balancing bank figure was therefore \$2000.
- (e) Most responses earned one mark for current assets to earn the second mark candidates needed to say other receivables.
- (f) Whilst most earned two marks here candidates should pay note to the question which said Ali was a trader and was therefore not in a partnership nor was he a company. Shareholders or partners were therefore incorrect answers.

Question 4

- (a) To arrive at the correct answer candidates needed to recognise that the correct way to calculate this was by the formula noncurrent assets plus current assets minus current liabilities.
- A number of candidates lost marks because of the following:
- incorrect calculation of depreciation
 - use of the previous year's figures
 - not including current liabilities in the calculation.
- (b)(i) Candidates were required to calculate the change in net assets. Stronger candidates earned three marks here. Candidates needed to recognise that the 2013 net assets figure was \$18 454. A number used the total assets figure of \$19 654 without deducting the current liabilities of \$1200. Candidates should note that if the 2014 figure was lower than \$18 454 then they should have stated that there was a reduction in net assets or shown it as a minus.
- (ii) Candidates needed to recognise that the correct answer was drawings.

- (c) Candidates should have stated two ratios which could be calculated from a detailed income statement. A large number offered quick, current ratios and return on capital employed. All of which contain elements not found in an income statement.
- (ii) A number of candidates understood realisation but were unable to relate it to inventory.

Question 5

- (a) Whilst many candidates earned full marks here a number lost a mark by including non-current assets in their calculation.
- (b) Many scored full marks here; however it is important to read the question. The question asked for two decimal places a number of answers only provided one.
- (c) Most candidates compared the ratios to the benchmarks, recognising that stock levels were high and that the business had no cash as there was a bank overdraft.
- (d) There were a variety of answers; generally the credit entries were done better than the debit. Candidates used bank instead of loan for the credit. Item 4 was often incorrect with candidates providing figures of \$30, \$50 or \$110 rather than \$80.

Candidates should note that the correct answer to transaction 3 for the account to be debited was Purchases, not Inventory which was a common wrong answer.

Question 6

- (a) Whilst a number of candidates earned full marks here others had common errors which included:
- using a disposal figure of \$2600
 - using the narrative factory equipment for balance or bank entries
 - including a variety of incorrect items
 - failing to bring a balance down.
- (b) A number had difficulty with producing a manufacturing account, however successful candidates:
- provided correct narrative and figures for raw materials consumed and prime cost
 - were able to successfully differentiate between direct and indirect cost
 - correctly calculated the factory depreciation as \$2100
 - made an adjustment of \$800 for work in progress in the correct direction.

A number were clearly unsure about how to prepare a manufacturing account and committed some or all of the following mistakes:

- inclusion of revenue
 - deducted factory overheads rather than adding them to the prime cost figure
 - included finished goods
 - included other items which should have appeared in the Income statement.
- (c) Stronger candidates performed well here.
- However common errors were:
- omitting narrative or using 'g/p' rather than gross profit.
 - using purchases figure rather than cost of production
 - using all three inventories
 - omitting profit on disposal of \$600
 - including manufacturing account items in the expenses
 - omitting finance charges of \$800.
- (d) Most proved a correct definition of work in progress.

- (e) A number of candidates appeared not to properly read the question which asked for the reasons for the increase in the direct costs. From the data provided this could only apply to reasons for an increase in raw materials consumed and factory wages.

ACCOUNTING

Paper 0452/13

Paper 13

Key Messages

The paper comprised a mixture of questions, with **Question 1** being multiple choice questions.

With the multiple choice questions candidates are recommended never to leave an answer blank.

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There seems to be a lack of knowledge of basic double entry when preparing ledger accounts. This is particularly true when preparing expenses accounts as in Question 2(f).

Several of the answers required the completion of ledger accounts. In many instances balances on the accounts were not brought down to the next accounting period. Candidates should always close the account and bring down the balance. Reviewing the mark scheme will reveal that marks are awarded for doing this.

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Candidates should also remember that when making entries in ledger accounts the correct narrative is the name of the account where the opposite entry can be found. Narratives such as 'cash book' or 'trade receivables' were often wrongly used. These are not accounts found in the ledger.

General Comments

There were a number of very good papers presented by candidates.

Comments on Specific Questions

Question 1

Generally **Question 1** was done quite well. There were only three multiple choice questions where less than 70% of candidates answered correctly. These have been considered below.

- (e) The provision for doubtful debts is always shown in the current assets section of the statement of financial position, where it is deducted from the figure for trade receivables, hence the key **C**.
- (f) Inventory is always valued at the lower of cost and net realisable value. Where the net realisable value is lower than cost this figure is used to recognise losses as soon as they are incurred. Thus the key here was **D**.
- (j) This question proved particularly challenging. The key was **A** as accounting information is most relevant when it can be compared with information for other periods.

Question 2

This question was also quite well attempted by most candidates.

- (a) Most candidates correctly identified which items given would be shown as either an asset or liability.
- (b) Most candidates correctly identified whether an asset and liability have a debit or credit balance and whether an expense and income account have a debit or credit balance.
- (c) Virtually everyone named a suitable expense account. Some though did state provision for doubtful debts, which was not rewarded as a reduction in provision would be credited in the income statement. Similarly, provision for depreciation was not rewarded as this is an item on the statement of financial position.
- (d) The only issue here was that a significant number of candidates put profit and loss account rather than income statement. Candidates can lose marks where IAS terminology is not used.
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- (f) Candidates were required to prepare an insurance account for a year. This was not well done. A high number of candidates wrongly started the account with an opening balance of \$ 1200, rather than \$ 300. Many candidates were also unable to calculate the insurance prepaid to carry down at the 31 December 2014, thus balancing the account with the transfer to the income statement. Finally, the dates recorded were often inaccurate; particularly the change from 2014 to 2015 with the closing balance carried down and brought down.
- (g) Candidates stated that the purpose of preparing a trial balance was to check the accuracy. It is prepared to check the accuracy of the double entry, which was required to be stated in the answer.
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Question 3

- (a) Most candidates correctly identified two books of prime entry. However, identifying the source document was not well done. A large number simply put 'invoice', against sales or purchases journals, rather than sales invoice or purchase invoice.
- (b) This was not well done. The most common wrong answers were to help prepare the financial statements or to prepare the control accounts.
- (c) Identifying two accounts posted with the totals from the three column cash book provided a variety of incorrect answers including sales and purchases ledger control accounts and petty cash book.
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- (e) When identifying which account should be debited and which account credited with the dishonoured cheque, the most common errors were not to put the name of the debtor (Pierre) but to state 'debtor' and show the credit entry as 'cash book'. Neither of these are ledger accounts.
- (f) Most correctly identified bank reconciliation statement as the correct answer.

- (g) When stating what is meant by a bank overdraft the most common wrong answer was that it means more money is taken out of the account than is paid in. It would be possible to take \$1000 from the bank and only pay in \$200, yet have a balance of \$1800. Thus an overdraft would not be the result. The answer needed to link to taking out more than the balance in the account, thus creating a liability to the bank.
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Question 4

This question proved to be the most difficult on the paper.

- (a) The preparation of the statement of financial position was not well done. There was a significant use of non-IAS terminology, for non-current assets, trade receivables and payables and non-current liabilities. The debentures were often wrongly included in the capital and reserves and the bank loan in the current liabilities. Ordinary share capital was often quoted as \$250 000 as candidates failed to recognise that the par value of the shares was \$0.50. In the worst cases candidates simply provided a list of all the items without any headings or sub totals. A variety of layouts were also used, although credit was given where appropriate.
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- (a) This required the preparation of a subscriptions account for a club. The answers were mixed, with some candidates earning full marks. By far the most common mistake was to state income statement rather than income and expenditure account for the transfer of the subscriptions for the year. Other common errors in labelling was to show the balances as arrears or owing brought down rather than balance brought down, or in deed carried down. The other common mistake was in posting the opening and closing balances to the wrong side of the account. Subscriptions in arrears are debit balances when brought down and subscriptions owing are credit balances.
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- (c) Attempts at this question were also mixed. Some achieved full marks, by bringing in their own purchases figure. Typically though many ignored what they had done on (b) and put in the purchases figure as the amount paid to suppliers. Inventory was also labelled as stock on a number of scripts. The figure for wages was also sometimes included with the cost of sales figure rather than as an expense below the gross profit.
- (d) The preparation of the income and expenditure account was not well done. Many candidates brought in the café takings and purchases again, rather than their calculate profit or loss from (c). The figure for subscriptions received was often included rather than the transfer calculated in (a). Likewise, the purchase of new equipment was frequently included as an expense. Finally, if a surplus or deficit was calculated at all marks were sometimes not awarded for it being labelled as a profit or loss.

ACCOUNTING

Paper 0452/21

Paper 21

Key Messages

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

Many candidates provided supporting calculations where appropriate. This ensured that they were able to earn at least some of the available marks, even though the final answer was incorrect.

It is important to read through each question very carefully before attempting an answer. A factually correct statement which is not the answer to the question being asked cannot earn any marks. Similarly, if a column is headed with a dollar sign, candidates should appreciate that an amount of money should be inserted rather than a tick.

The spaces provided in the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provide another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example, a note 'please refer to page...' or 'continued on page...' would ensure that this additional work is not overlooked.

Candidates are reminded that appropriate abbreviations should be used. Abbreviations such as 'bbd' for 'balance brought down', 'ret' or 'RI' for 'sales returns' are not acceptable. In financial statements, abbreviations such as 'TR' for 'trade receivables' and 'PDD' for 'provision for doubtful debts' are not acceptable.

It is expected that candidates will use International Accounting Terminology and not use 'old' terminology such as 'stock', 'sales', 'creditors', 'net profit', etc.

The following comments should be read in conjunction with the question paper and the published mark scheme.

General Comments

Candidates should be aware that questions can be set on any section of the syllabus and that a thorough knowledge of all topics is required in order to achieve a good grade.

Candidates are advised to work through questions on past examination papers and appropriate exercises in textbooks.

Comments on Specific Questions

Question 1

- (a) Candidates were required to state one advantage of the imprest system of petty cash. Many candidates did not answer to the question being asked and their responses related to petty cash books generally. The more able candidates did attempt explanations about controlling petty cash expenditure or the possibility of reducing fraud.

- (b) A list of petty cash transactions was provided and candidates were reacquired to prepare a petty cash book. The well-prepared candidates scored high marks. Common errors included:
- incorrect wording for the refund for damaged stationery
 - entering the refund as both a payment and a receipt
 - incorrect wording for the payment to suppliers
 - not totalling analysis columns
 - omission of the opening balance
 - not bringing down the closing balance
- (c) Candidates were required to state the amount required to restore the imprest on 1 April 2015. Many correctly provided a figure of \$78. A common incorrect answer was \$88.
- The account to which this amount would be credited was either the cash account or the bank account.
- (d) The question required candidates to name the ledger account to which the refund for damaged stationery would be credited. Purchases returns account, purchases ledger or nominal ledger were two common incorrect responses.
- (e) Details of three transactions were provided and candidates were required to record these by means of journal entries. The majority of candidates correctly debited drawings with goods for own use, but incorrectly credited inventory (or stock) or suspense instead of purchases. Most candidates correctly debited motor vehicles with the purchase of a motor, but then incorrectly credited the bank instead of the capital.

Candidates are reminded that the journal should identify the name of the account in which the entry will be made. There is no such ledger account as 'purchase of new machine account' and 'repairs to existing machine account'. Full marks could only be earned if narratives were provided. These should follow the actual journal entry and should summarise why the entry was being made rather than just saying that one named account is debited and another named account is credited.

Question 2

- (a) A partially completed credit note was provided and candidates were required to insert the missing figures. There were many wholly correct answers. A number of candidates made careless calculation errors on what should have been an easy question.
- (b) Most candidates correctly identified the name of the person who issued the credit note, though a few simply wrote 'supplier' without naming him.
- (c) One reason for the issue of the credit note was required. Many candidates correctly suggested returned or damaged goods, or to correct an overcharge. A number of responses implied that the goods were purchases returns rather than sales returns.
- (d) The majority of candidates identified a debit note as the document issued to request a credit note.
- (e) Candidates were required to name the accounts in the books of the buyer and the seller in which the credit note would be recorded. This should have been a relatively straightforward question but many candidates appeared to find it difficult.
- (f) Using information provided, candidates were required to prepare a sales ledger control account. Some candidates earned high marks. Common errors included:
- incorrect descriptions such as 'dishonoured cheque', 'cheques received', and 'bbd'
 - deducting the dishonoured cheque from the cheques received
 - including extraneous items such as discount received and cash sales
 - omitting balance carried down of \$21 on the debit resulting in incorrect balance carried down on the credit and incorrect totals.

- (g) An explanation was required of the contra entry in the sales ledger control account. Many did manage to explain that this was a set off in the purchases ledger and the sales ledger where a person was both a customer and a supplier. A few incorrectly related the question to a contra entry in a cash book.
- (h) Many candidates correctly explained why a credit customer was charged interest.
- (i) The majority of candidates stated an acceptable reason for a trade prepared a monthly sales ledger control account. Some incorrectly suggested that it was to ascertain the total sales or to find out how much each customer owed.
- (j) Candidates often struggled to explain why the information for a sales ledger control account is not obtained from the sales ledger. Some did try to explain that if there was an error in the sales ledger it would not be revealed if the information for the control account was taken from the ledger.

Another acceptable answer was that fraud would not be revealed unless the information was obtained from another source.

Question 3

- (a) Using information provided, candidates were required to prepare a statement of affairs. Many candidates presented their statement in an acceptable format, dividing up the assets and liabilities and showing appropriate subtotals. The calculation of the depreciation to date and the net book value of the machinery and motor vehicles presented problems for many candidates. The provision for doubtful debts was usually calculated correctly, but often the amount was not actually deducted from the trade receivables. A few candidates incorrectly included the bank as a current asset and the loan as a current liability. In a statement of affairs the capital should be clearly labelled and should appear as a separate item: it is not strictly correct to label the total of the first section of the statement as capital. Most candidates correctly used International Accounting Terminology.
- (b) Candidates were required to prepare the capital account of the trader in order to ascertain the profit or loss for the year. A significant number of candidates appeared to find this account difficult. The account should have started with a credit balance of \$20 000. Capital introduced during the year should have been credited and labelled 'bank'. The amounts withdrawn should have been debited and labelled either 'cash' and 'purchases' respectively or as 'drawings'. The capital calculated in (a) should have been inserted on the debit side. The 'missing' figure represented either the profit for the year or the loss for the year.
- (c) A table had to be completed to indicate the effect of four transactions on the working capital of a trader. There was a wide range of marks. Those candidates who understood how working capital is calculated were able to work out the effect of transactions.
- (d) Most candidates were able to earn marks for suggesting why it is important for a trader to have an adequate amount of working capital. There was a certain amount of repetition. For example, 'to pay day to day expenses' and 'to run the business on a daily basis' merited one mark not two marks. Some candidates suggested long-term reasons such as purchase of non-current assets.

Question 4

- (a) Using a balanced trial balance and additional information, candidates were required to prepare an income statement. Many candidates earned good marks. Common errors included:
- use of incorrect terminology such as 'stock' and 'net profit'
 - not adjusting the purchases for goods for personal use
 - deducting the bad debts from the provision for doubtful debts
 - not naming the asset on which the depreciation was charged
 - including extraneous items.
- (b) Candidates were required to explain how the prudence principle had been applied in the preparation of the income statement. Most candidates correctly explained that profit should not be overstated and many correctly illustrated their answer with reference to depreciation or provision for doubtful debts.

- (c) One accounting objective (apart from reliability) had to be stated. Most candidates earned the available mark.
- (d) Two factors which should be considered when comparing results with those of another business had to be explained. Candidates are reminded that when an explanation is required a few words are not adequate. Many were able to offer suitable factors, but answers were often limited to a basic statement without any development.

Question 5

- (a) The effect of errors on the profit for the year had to be indicated by completing a table. A number of candidates inappropriately inserted ticks rather than amount of money in the table. The effect of the first two errors was often correctly indicated. Some candidates did not calculate the prepayment correctly in the third item. Many candidates did not appreciate that correcting the final error would decrease the profit by \$360.
- (b) The quick ratio had to be calculated. There were many correct answers. A large number of candidates did not include the loan as a current liability. Some deducted the inventory from the total of the trade receivables and the bank and tried to work out the quick ratio with a minus figure for liquid assets.
- (c) Candidates were asked to comment on the quick ratio calculated in (b). The majority of candidates understood whether the ratio they had calculated was adequate or otherwise. Some candidates also developed their answer with reference to the need to reduce the inventory level and made a comparison with the quick ratio 'benchmark'.
- (d) The majority of candidates understood that the quick ratio excludes inventory from the calculation whereas it is included with the other current assets in the calculation of the current ratio.
- (e) Candidates were required to state the formula for the calculation of the collection period for trade receivables. This was well-answered. Common errors included using 'sales' rather than 'credit sales' as the denominator and not multiplying by a time factor such as 365 days.
- (f) The majority of candidates correctly calculated the collection period for trade receivables.
- (g) Comments were required on the answer to (f). This was often well-answered, based on the candidate's calculation of the collection period. Most recognised that the credit customers were paying after the period of credit allowed. The more able candidates were also able to explain the consequences of this.
- (h) Candidates were required to state two ways in which the collection period for trade receivables could be improved. Cash discounts for prompt payments and interest charged on overdue accounts were the most common correct responses.
- (i) Comments were required on the trader's payment period for trade payables. The majority recognised that trade payables were being paid early. The more able candidates considered the consequences of this by mentioning earning of cash discount and the fact that the trade payables payment period was shorter than the collection period for trade receivables.

ACCOUNTING

Paper 0452/22

Paper 22

Key Messages

- Candidates should provide supporting calculations where appropriate. This will ensure that they are able to earn at least some of the available marks, even if the final answer is incorrect.
- Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations such as 'bbd' for 'balance brought down' and 'GP' for 'gross profit' are not acceptable.
- It is expected that candidates will use International Accounting Terminology. The use of 'old' terminology such as 'stock', 'sales', net profit', 'creditors', etc. may result in marks being forfeited.

General Comments

Candidates should read through each question very carefully before attempting an answer. Answers should follow the specific requirements of the question. For example, where a particular rounding requirement or number of decimal places is specified, candidates should ensure that their answers comply with this. Marks cannot be awarded if a candidate provides a factually correct statement which does not answer the question asked. For example, where a question asks about the reasons why a bank manager would be interested in the financial statements of a business, answers should specifically relate to a bank manager, not to the manager of the business.

Comments on Specific Questions

Question 1

- (a) Candidates were required to prepare a purchases journal and a purchases returns journal. Only those candidates who had a thorough knowledge of these journals were able to earn high marks. Some candidates incorrectly presented their answers as journal entries or as ledger accounts. It is important that transactions are correctly dated. A significant number of candidates did not follow the instructions to total each journal and to indicate the ledger account to which the total would be transferred.
- (b) Ledger accounts for a supplier, purchases and purchases returns had to be prepared. A number of candidates incorrectly showed an item for trade discount in the personal account and included the returns at the gross price rather than the amount after the deduction of trade discount. Some candidates incorrectly recorded individual entries into the ledger accounts for purchases and for purchases returns, rather than recording the totals for the month from the journals.
- (c) One advantage and one disadvantage of paying credit suppliers before the due date were required. There were many satisfactory responses. However, some candidates incorrectly answered in terms of paying late rather than early.
- (d) Certain entries in a sales ledger control account had to be explained. Generally, candidates were able to explain the entry for sales returns. Some candidates related contras to transfers between the cash and bank accounts rather than to contra entries between the sales ledger and the purchases ledger. Similarly, some candidates related the interest to bank interest rather than to interest charged on overdue amounts owed by credit customers. Candidates sometimes gained marks for correctly identifying the source of information, even if the explanation was incorrect.

- (e) This question required candidates to suggest ways in which the risk of bad debts could be reduced. There were many wholly correct responses. However, some candidates made suggestions which related to improving the collection period rather than reducing bad debts.
- (f) A calculation of the trade receivables collection period was required. There were many wholly correct responses. A small number of candidates ignored the instruction to round up the answer to the next whole day.
- (g) Based on their answer to (f), most candidates correctly identified whether the trader would be satisfied with the collection period.
- (h) Candidates were required to suggest ways in which the trade receivables collection period could be improved. This question was generally well-attempted. However, some candidates' answers related to reducing bad debts rather than improving the collection period.

Question 2

- (a) Candidates were asked why the cash book balance should be reconciled with the balance on the bank statement. Generally this question was well-attempted. However, answers such as 'to tally the difference' or 'to record financial statements' were not specific enough to earn marks.
- (b) Candidates were required to update a cash book. The standard varied widely on this question. There were some excellent attempts. However, some candidates included items which would have already been recorded in the cash book such as cheques not yet presented (which should only appear in the bank reconciliation statement). Descriptions such as 'dishonoured cheque' are not acceptable as it is not the name of the account in which the double entry will appear. A few candidates did not balance the account as instructed.
- (c) There were some excellent responses. However, the question proved difficult for some candidates who did not appear to understand the principles of bank reconciliation. It is important to identify the items correctly and to be able to understand the process when there is a bank overdraft.
- (d) Candidates had to state whether the cash book balance or the bank statement balance would appear in the statement of financial position. Many candidates did not appreciate that the cash book balance is the one which is used in the trader's statement of financial position. This statement would not balance if the bank statement was used and, in addition, only balances on the traders' books can appear in this statement.
- (e) Most candidates seemed to have an understanding of why the bank manager would be interested in the financial statements of the business. However, many answers were too vague for marks to be awarded.

Question 3

- (a) Candidates were required to make entries in six ledger accounts. Only candidates with a thorough knowledge of double entry were able to earn marks. Very few candidates made the correct entries into the inventory account or the drawings account. Balances were often not brought down and accounts were often not closed off correctly. References were frequently made to 'P&L' rather than 'Income Statement'. This is a topic on which many candidates would have benefited from additional study.
- (b) Some candidates provided wholly correct journal entries to record the receipt of an invoice for the repair of a motor vehicle and the purchase of a new motor vehicle. Other candidates did not earn the available marks as they did not use correct account names (for example, there is no such account as 'cost of new motor vehicle account'). The narrative should summarise the reason for the journal entry and not just name the accounts to be debited and credited.
- (c) Candidates were required to state the meaning of capital expenditure and revenue expenditure. Generally this question was well-attempted. However, some candidates provided examples rather than explaining the meaning of the terms which was not acceptable. Some candidates incorrectly referred to capital expenditure as an 'expense of non-current assets'.

- (d) Candidates were required to complete a table to show the effect of recording revenue expenditure as capital expenditure. This question was generally well-attempted.

Question 4

- (a) Candidates were required to prepare an income statement and there were many reasonable responses. A common error was to use the payments to credit suppliers as being equal to the purchases. The value of the purchases should have been calculated using the opening and closing trade payables, the payments to credit suppliers and the cash discount received from credit suppliers. Those candidates who did attempt this calculation and showed their workings were able to earn some (even if not all) of the available marks. Discount received was often omitted or incorrectly included after the expenses. Some candidates incorrectly included the purchase of fixtures and fittings as an expense. This item should have been taken into consideration when calculating the depreciation for the year. Candidates are reminded of the importance of using International Accounting Terminology such as 'inventory', 'revenue' and 'profit for the year'.
- (b) The rate of inventory turnover had to be calculated. Many candidates correctly used the cost of sales calculated in part (a). There were many correct responses. A few candidates reversed the formula or used sales instead of cost of sales.
- (c) Two reasons why the rate of inventory turnover had improved had to be suggested. This question was generally well-attempted although some candidates answered in terms of selling price rather than sales activity.
- (d) Candidates were required to explain what is measured by return on capital employed. Few candidates earned both marks available here. Some candidates incorrectly made reference to how employees were utilised in the business and others referred to capital being returned to the owners. Some candidates merely stated the formula for ROCE with no explanation. The return on capital employed measures the profit earned for each \$100 used in the business and shows how efficiently the capital is being utilised.
- (e) Most candidates earned marks for a calculation of the return on capital employed, using the profit for the year calculated in part (a).
- (f) Candidates were required to suggest a reason why ROCE was higher than for the previous year. Many candidates correctly stated that profit for the year was higher. However, some candidates suggested that sales were higher or expenses lower, without stating that this had led to increased profit. Some candidates merely stated that capital was being employed more efficiently without any further explanation.
- (g) A table had to be completed to show the effects of an over-valuation of opening inventory. There was a wide range of answers, indicating a degree of guesswork.

Question 5

- (a) A statement of changes in equity had to be completed. This is a comparatively new section of the syllabus and many candidates did not seem to be familiar with the preparation of this type of statement. Candidates are reminded that it is important to study all sections of the syllabus.
- (b) Using information provided, a statement of financial position had to be prepared. Many candidates earned a reasonable number of marks. Common errors included:
- not totalling the sections of the assets and liabilities
 - including the bank overdraft as a current asset
 - using incorrect terminology
 - not labelling the provision for doubtful debts
 - not showing the net figure for trade receivables
 - including debentures in the equity and reserves section.

- (c) Candidates were required to state two features of ordinary shares. This question was generally well-attempted, although some responses were considered too vague to award marks. For example it was not regarded as adequate to state 'ordinary shareholders receive dividend': it should have been explained that the dividend was variable.
- (d) Two features of debentures had to be stated. This question was also well-attempted. Once again, some answers were too vague to merit the marks. For example it was not adequate to state 'debentures are loans': it should have been explained that they are long-term loans.
- (e) Candidates were required to state two ways in which the issue of debentures may affect the ordinary shareholders. Only a few candidates could supply more than one suitable reason. The issue of debentures reduces the profit available for ordinary shareholders and creates a prior claim on the assets of the company in the event of a winding up.

ACCOUNTING

Paper 0452/23

Paper 23

Key Messages

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

Many candidates provided supporting calculations where appropriate. This ensured that they were able to earn at least some of the available marks, even though the final answer was incorrect.

It is important to read through each question very carefully before attempting an answer. A factually correct statement which is not the answer to the question being asked cannot earn any marks. Similarly, if a column is headed with a dollar sign, candidates should appreciate that an amount of money should be inserted rather than a tick.

The spaces provided in the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provide another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example, a note 'please refer to page...' or 'continued on page...' would ensure that this additional work is not overlooked.

Candidates are reminded that appropriate abbreviations should be used. Abbreviations such as 'bbd' for 'balance brought down', 'ret' or 'RI' for 'sales returns' are not acceptable. In financial statements, abbreviations such as 'TR' for 'trade receivables' and 'PDD' for 'provision for doubtful debts' are not acceptable.

It is expected that candidates will use International Accounting Terminology and not use 'old' terminology such as 'stock', 'sales', 'creditors', 'net profit', etc.

The following comments should be read in conjunction with the question paper and the published mark scheme.

General Comments

Candidates should be aware that questions can be set on any section of the syllabus and that a thorough knowledge of all topics is required in order to achieve a good grade.

Candidates are advised to work through questions on past examination papers and appropriate exercises in textbooks.

Comments on Specific Questions

Question 1

- (a) Candidates were required to state one advantage of the imprest system of petty cash. Many candidates did not answer to the question being asked and their responses related to petty cash books generally. The more able candidates did attempt explanations about controlling petty cash expenditure or the possibility of reducing fraud.

- (b) A list of petty cash transactions was provided and candidates were reacquired to prepare a petty cash book. The well-prepared candidates scored high marks. Common errors included:
- incorrect wording for the refund for damaged stationery
 - entering the refund as both a payment and a receipt
 - incorrect wording for the payment to suppliers
 - not totalling analysis columns
 - omission of the opening balance
 - not bringing down the closing balance
- (c) Candidates were required to state the amount required to restore the imprest on 1 April 2015. Many correctly provided a figure of \$78. A common incorrect answer was \$88.
- The account to which this amount would be credited was either the cash account or the bank account.
- (d) The question required candidates to name the ledger account to which the refund for damaged stationery would be credited. Purchases returns account, purchases ledger or nominal ledger were two common incorrect responses.
- (e) Details of three transactions were provided and candidates were required to record these by means of journal entries. The majority of candidates correctly debited drawings with goods for own use, but incorrectly credited inventory (or stock) or suspense instead of purchases. Most candidates correctly debited motor vehicles with the purchase of a motor, but then incorrectly credited the bank instead of the capital.

Candidates are reminded that the journal should identify the name of the account in which the entry will be made. There is no such ledger account as 'purchase of new machine account' and 'repairs to existing machine account'. Full marks could only be earned if narratives were provided. These should follow the actual journal entry and should summarise why the entry was being made rather than just saying that one named account is debited and another named account is credited.

Question 2

- (a) A partially completed credit note was provided and candidates were required to insert the missing figures. There were many wholly correct answers. A number of candidates made careless calculation errors on what should have been an easy question.
- (b) Most candidates correctly identified the name of the person who issued the credit note, though a few simply wrote 'supplier' without naming him.
- (c) One reason for the issue of the credit note was required. Many candidates correctly suggested returned or damaged goods, or to correct an overcharge. A number of responses implied that the goods were purchases returns rather than sales returns.
- (d) The majority of candidates identified a debit note as the document issued to request a credit note.
- (e) Candidates were required to name the accounts in the books of the buyer and the seller in which the credit note would be recorded. This should have been a relatively straightforward question but many candidates appeared to find it difficult.
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- incorrect descriptions such as 'dishonoured cheque', 'cheques received', and 'bbd'
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- (g) An explanation was required of the contra entry in the sales ledger control account. Many did manage to explain that this was a set off in the purchases ledger and the sales ledger where a person was both a customer and a supplier. A few incorrectly related the question to a contra entry in a cash book.
- (h) Many candidates correctly explained why a credit customer was charged interest.
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- (j) Candidates often struggled to explain why the information for a sales ledger control account is not obtained from the sales ledger. Some did try to explain that if there was an error in the sales ledger it would not be revealed if the information for the control account was taken from the ledger.

Another acceptable answer was that fraud would not be revealed unless the information was obtained from another source.

Question 3

- (a) Using information provided, candidates were required to prepare a statement of affairs. Many candidates presented their statement in an acceptable format, dividing up the assets and liabilities and showing appropriate subtotals. The calculation of the depreciation to date and the net book value of the machinery and motor vehicles presented problems for many candidates. The provision for doubtful debts was usually calculated correctly, but often the amount was not actually deducted from the trade receivables. A few candidates incorrectly included the bank as a current asset and the loan as a current liability. In a statement of affairs the capital should be clearly labelled and should appear as a separate item: it is not strictly correct to label the total of the first section of the statement as capital. Most candidates correctly used International Accounting Terminology.
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- (c) A table had to be completed to indicate the effect of four transactions on the working capital of a trader. There was a wide range of marks. Those candidates who understood how working capital is calculated were able to work out the effect of transactions.
- (d) Most candidates were able to earn marks for suggesting why it is important for a trader to have an adequate amount of working capital. There was a certain amount of repetition. For example, 'to pay day to day expenses' and 'to run the business on a daily basis' merited one mark not two marks. Some candidates suggested long-term reasons such as purchase of non-current assets.

Question 4

- (a) Using a balanced trial balance and additional information, candidates were required to prepare an income statement. Many candidates earned good marks. Common errors included:
- use of incorrect terminology such as 'stock' and 'net profit'
 - not adjusting the purchases for goods for personal use
 - deducting the bad debts from the provision for doubtful debts
 - not naming the asset on which the depreciation was charged
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- (b) Candidates were required to explain how the prudence principle had been applied in the preparation of the income statement. Most candidates correctly explained that profit should not be overstated and many correctly illustrated their answer with reference to depreciation or provision for doubtful debts.

- (c) One accounting objective (apart from reliability) had to be stated. Most candidates earned the available mark.
- (d) Two factors which should be considered when comparing results with those of another business had to be explained. Candidates are reminded that when an explanation is required a few words are not adequate. Many were able to offer suitable factors, but answers were often limited to a basic statement without any development.

Question 5

- (a) The effect of errors on the profit for the year had to be indicated by completing a table. A number of candidates inappropriately inserted ticks rather than amount of money in the table. The effect of the first two errors was often correctly indicated. Some candidates did not calculate the prepayment correctly in the third item. Many candidates did not appreciate that correcting the final error would decrease the profit by \$360.
- (b) The quick ratio had to be calculated. There were many correct answers. A large number of candidates did not include the loan as a current liability. Some deducted the inventory from the total of the trade receivables and the bank and tried to work out the quick ratio with a minus figure for liquid assets.
- (c) Candidates were asked to comment on the quick ratio calculated in (b). The majority of candidates understood whether the ratio they had calculated was adequate or otherwise. Some candidates also developed their answer with reference to the need to reduce the inventory level and made a comparison with the quick ratio 'benchmark'.
- (d) The majority of candidates understood that the quick ratio excludes inventory from the calculation whereas it is included with the other current assets in the calculation of the current ratio.
- (e) Candidates were required to state the formula for the calculation of the collection period for trade receivables. This was well-answered. Common errors included using 'sales' rather than 'credit sales' as the denominator and not multiplying by a time factor such as 365 days.
- (f) The majority of candidates correctly calculated the collection period for trade receivables.
- (g) Comments were required on the answer to (f). This was often well-answered, based on the candidate's calculation of the collection period. Most recognised that the credit customers were paying after the period of credit allowed. The more able candidates were also able to explain the consequences of this.
- (h) Candidates were required to state two ways in which the collection period for trade receivables could be improved. Cash discounts for prompt payments and interest charged on overdue accounts were the most common correct responses.
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