ACCOUNTING

Paper 0452/11
Multiple Choice

Question Number	Key
1	B
2	B
3	C
4	C
5	B
6	C
7	A
8	D
9	A
10	A
11	D
12	B

Question Number	Key
13	D
14	C
15	C
16	B
17	D
18	B
19	D
20	D
21	A
22	D
23	A
24	C

Question Number	Key
25	C
26	B
27	A
28	C
29	C
30	B
31	B
32	B
33	B
34	A
35	D

General comments

Many candidates possessed a good understanding of double-entry bookkeeping and were able to select the correct key to many items on the paper. However, some responses indicated that not all candidates had sufficient knowledge and understanding to answer questions which were not asked/worded in a way they had anticipated.

Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of accounting. Candidates should be prepared to answer questions which involve calculations and those which do not.

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

Comments on specific questions

Question 1

Candidates were required to identify the purpose of measuring business profit and loss. The correct answer was **B**. Most candidates answered correctly.

Question 2

This question asked candidates to calculate the effect of two transactions, on assets, capital and liabilities. The correct answer was **B**. Most candidates found this question straightforward.

Question 3

Candidates were required to identify which business document is used by a trader to record amounts deposited into the bank account. The correct answer was **C**. Many candidates did not seem to know that a paying-in slip was used for this purpose.

Question 6

This question asked candidates to identify an advantage of using a sales journal. The correct answer was **C**. Many candidates found this question challenging.

Question 9

This question asked candidates to identify which error had caused the trial balance difference of $620. If discounts allowed of $310 had been credited to the discount received account, then the total of the credit balances would have been overstated by $620 and so this amount would have been placed on the debit side of a suspense account. The correct answer was **A**. Some candidates did not appreciate that the figure for closing inventory would not be included in the trial balance.

Question 13

Candidates were asked to identify an advantage of maintaining a purchases ledger control account. The correct answer was **D**. The purchases ledger control account shows the total amount due to suppliers. Some candidates did not seem to realise that, while using a control account may help to reduce fraud, it would not prevent it.

Question 14

This question covered contras between sales ledger accounts and purchases ledger accounts. The smaller balance would be set off against the larger balance. Here, there is a credit balance of $100 on the purchases ledger account, so $100 would be debited to the purchases ledger account and credited to the sales ledger account. The correct answer was **C**. Some candidates incorrectly selected an option to make an entry for $200 (the difference between the two balances).

Question 16

This question required candidates to calculate the effect of a particular error, on profit. In respect of the maintenance contract, (0.5 × $400 =) $200 should have been charged to profit, but ($400 × 20% =) $80 was charged to profit. So profit was overstated by $120. The correct answer was **B**. Some candidates only took account of the depreciation when they selected their answer.

Question 20

Candidates were asked to identify the effects of recording an adjustment for an amount owed by a tenant. The correct answer was **D**. A significant number of candidates thought that making the adjustment would cause a decrease in profit.

Question 24

This question required a calculation of total equity at the end of the year. The calculation is $45 750 + $4995 – $2800 = $47 945. The correct answer was **C**. Common errors included deducting the transfer to general reserves and/or the opening retained earnings.

Question 27

This question required candidates to identify the effect which an increase in work in progress would have on cost of production and on cost of sales. The correct answer was **A**. Some candidates incorrectly selected an answer which included an increase in cost of production.

Question 28

Candidates were required to identify which item is not included in prime cost. The correct answer was **C**. Most candidates found this question straightforward.

Question 30

This question covered the topic of incomplete records. The question required a calculation of the amount owing by trade receivables at the start of the year. The correct calculation is \$14 000 – (80% × 97 500 =) \$78 000 + \$71 500 = \$7500. The correct answer was **B**. Some candidates found this calculation challenging.

Question 34

This question covered the topic of the quality of information contained in the financial statements. Changes in accounting policies would affect the comparability of the financial statements. Hence interested parties need to be made aware of any changes to accounting policies. The correct answer was **A**. Some candidates found this question challenging.

ACCOUNTING

Paper 0452/12
Multiple Choice

Question Number	Key
1	D
2	D
3	B
4	A
5	D
6	B
7	B
8	D
9	B
10	B
11	A
12	B

Question Number	Key
13	B
14	D
15	B
16	B
17	A
18	A
19	A
20	C
21	A
22	D
23	A
24	C

Question Number	Key
25	C
26	B
27	B
28	C
29	A
30	A
31	B
32	C
33	A
34	A
35	B

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Many candidates possessed a good understanding of double-entry bookkeeping and were able to select the correct key to many items on the paper. However, some responses indicated that not all candidates had sufficient knowledge and understanding to answer questions which were not asked/worded in a way they had anticipated.

Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of Accounting. Candidates should be prepared to answer questions which involve calculations and those which do not.

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

Comments on specific questions

Question 1

Candidates were required to identify that preparing financial statements each year helps a trader to make decisions about the future. The correct answer was **D**. Most candidates answered correctly.

Question 3

This question asked candidates to identify which account is not kept in the nominal ledger. The correct answer was **B**. The cash account is kept in the cash book. Some candidates incorrectly thought that the account for inventory is not kept in the nominal ledger.

Question 6

Candidates were required to identify an advantage of maintaining books of prime entry. The correct answer was **B**. Some candidates incorrectly thought that if books of prime entry are maintained, a trial balance can be extracted directly from them.

Question 8

This question covered the provision for doubtful debts. Candidates were required to identify the effect of omitting an adjustment to reduce the provision for doubtful debts. The correct answer was **D**. The provision would be overstated, so trade receivables, and therefore current assets, would be understated. Capital would also be understated as profit would be understated. Some candidates found this question challenging.

Question 9

Candidates were required to calculate the profit after correcting three stated errors. The corrected profit was \$24 500 + \$8000 – \$240 = \$32 260. The correct answer was **B**. Some candidates incorrectly only deducted \$120, rather than \$240, in respect of error 3.

Question 10

This question required candidates to calculate the bank balance in the cash book. The correct answer was **B**. Most candidates correctly identified that the cash book balance was \$1840, but some responses incorrectly identified this as a credit balance.

Question 11

This question required candidates to update the bank balance in the cash book. The correct balance was (– \$1200 – \$100 + \$400 – \$60 =) – \$960 i.e., a credit balance of \$960. The correct answer was **A**. Some candidates found this question challenging.

Question 15

This question covered depreciation. Candidates were required to identify which statements about depreciation were correct. The correct answer was **B**. Candidates who selected **D** may have misread statement 4 which referred to current assets.

Question 18

Candidates were required to identify the journal entry required to close the irrecoverable debts account at the year end. This account would have a debit balance and so a credit entry is required to close the account. The income statement is debited. The correct answer was **A**. Some candidates found this question challenging.

Question 19

Candidates were required to calculate the effect of two stated errors, on gross profit. Error 1 overstated gross profit by (\$340 – \$180 =) \$160. Error 2 understated gross profit by (100 × \$1 =) \$100. The overall effect is that gross profit was overstated by (\$160 – \$100 =) \$60. The correct answer was **A**. Some candidates found this calculation challenging.

Question 20

This question covered the topic of service businesses. Candidates were required to identify which of three items would be shown in the income statement of an accountancy business. The correct answer was **C**. Some candidates did not identify that there would be no gross profit shown.

Question 23

Candidates were required to identify which items should be entered in the appropriation account for a partnership. The correct answer was **A**. Some candidates incorrectly thought that either interest on partners' loans or drawings should also be included.

Question 25

This question covered the topic of financial statements. The correct answer was **C**. Most candidates answered correctly.

Question 31

This question required a calculation which some candidates found challenging. Gross profit = $68 200 / 2 = $34 100. Gross profit + other income – expenses = profit for the year. Hence expenses are $16 785. The correct answer was **B**.

Question 32

This question covered the topic of analysis and interpretation. The correct answer was **C**. Some candidates did not seem to realise that an increase in the quantity of goods sold would not lead to an increase in gross profit margin.

Question 34

Candidates were required to identify which accounting principle the accounting equation is based on. Assets (debit balances) = Capital (credit balance) plus Liabilities (credit balances). The correct answer was **A**. Some candidates seemed unable to relate the accounting equation to the relevant accounting principle.

Question 35

This question covered the topic of the quality of information contained in the financial statements. Information must be provided in a timely manner for it to be relevant. The correct answer was **B**. Some candidates found this question challenging.

ACCOUNTING

Paper 0452/13
Multiple Choice

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4	C	16	B	28	C
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7	A	19	D	31	B
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ACCOUNTING

Paper 0452/21
Paper 21

Key messages

It is important that candidates have studied all the topics on the syllabus. It is an advantage if candidates are familiar with the correct presentation of the various year-end financial statements. In addition to recording financial information and preparing financial statements, candidates should be able to apply their knowledge to various scenarios.

It is recommended that candidates read each question carefully before attempting an answer. They should be fully aware of exactly which tasks they are expected to complete.

Working through past examination papers and examples, or practice questions in accounting textbooks, is useful when preparing for the examination.

Many scripts were neat and tidy, but, on some scripts, both words and figures were extremely difficult to read. A candidate should ensure their script is legible.

If a candidate requires more space for their answer than is provided, or wishes to re-write their answer, it is important to indicate where the additional work is to be found. A note 'see page xxx' or 'continued on page xxx' ensures that this additional work is not overlooked.

General comments

All the questions on the paper are compulsory so it is essential for candidates to be familiar with, and have an understanding of, all the topics on the syllabus. Those candidates who were well-prepared were able to earn good marks. A number of candidates would have benefitted from further study before entering an examination of this level. Candidates are advised to attempt to answer all of the questions. Some candidates did not attempt to answer questions which involved placing ticks in a table, or those which required a few words as an answer.

Candidates are reminded that inappropriate abbreviations within accounts and financial statements are not acceptable. For example 'C of P', 'PC', 'GP', 'NP', and 'I on C' are not acceptable labels for figures within a set of financial statements.

As usual, the paper contained three five-mark questions which required candidates to discuss a given scenario and recommend a course of action. Candidates are becoming more familiar with this type of question and many are clearly listing the advantages and disadvantages and providing a recommendation. A number of candidates omitted the recommendation.

Comments on specific questions

Question 1

(a) This question required candidates to update and balance the bank columns of a cash book. There was a wide range of marks. Common errors included:

- Inclusion of extraneous items, such as bank statement balance
- Inclusion of items already recorded in the cash book, such as the cheque not credited
- Incorrect labelling, such as 'dishonoured cheque'
- Omission of the opening credit balance.

(b) A bank reconciliation statement had to be prepared. Whilst there were some wholly correct answers, this question proved to be difficult for many candidates. Common errors included:

- Omitting to start with the closing balance on either the cash book or the bank statement
- Not understanding which balance was positive and which was overdrawn
- Incorrect treatment of the amounts not presented and not credited
- Incorrect labelling or omission of labels
- Inclusion of extraneous items, such as bank charges and dishonoured cheques.

(c) Two advantages of preparing a bank reconciliation statement had to be stated. Many candidates were able to correctly identify one advantage. Common incorrect answers included reducing and correcting errors and preventing fraud.

(d) Candidates were required to state why a bank overdraft appears as a debit balance on a bank statement. This represents an amount owing to the bank which is, therefore, an asset to the bank.

(e) Advice had to be provided to a trader on whether to introduce additional capital in order to pay off a bank overdraft. Many recognised that this would reduce the bank interest, but would reduce the personal funds of the trader. However, they were often unable to add any further comments. Some responses did not appear to be able to distinguish between advantages and disadvantages of this course of action.

Question 2

(a) The profit and loss appropriation account of a partnership had to be prepared. This was often very well done and many candidates earned high marks. Many candidates did adjust the profit for the year for the loan interest, although some incorrectly included this as an appropriation of profit.

(b) The capital accounts and the current account of a partner had to be prepared. Many responses earned high marks, but others did not demonstrate an understanding of the difference between these two accounts. Common errors included:

- Inclusion of extraneous items, such as interest on capital and drawings in the capital account
- Inclusion of some items, such as interest on capital in both accounts
- Inclusion of extraneous items, such as total profit and items relating to the other partner
- Not balancing the accounts.

(c) Most candidates were able to correctly identify two disadvantages of operating as a partnership, with profit-sharing and disagreements being common responses. A number of answers appeared to misinterpret the question and provided answers relating to advantages.

(d) A journal entry to record the payment of loan interest was required. This should have been a basic journal entry, debiting the interest on loan and crediting the bank, but most candidates found this challenging.

Question 3

(a) Journal entries to correct five errors had to be prepared. Some candidates earned good marks. Errors 2 and 5 caused the most problems.

To correct Error 2, the capital account had to be credited with $14 000 and the motor vehicle account and the vehicle maintenance account each had to be debited with $7000. Many answers did not debit the drawings account and credit the cash account with $400 each in order to correct Error 5.

(b) A suspense account had to be prepared. Many candidates obtained high marks in **Part (a)**, but often struggled to write up the suspense account correctly. Extraneous items were frequently included. Some candidates carried the difference on the trial balance down as the closing balance.

(c) The majority of candidates correctly identified the errors made in Items 4 and 5.

(d) Candidates were required to complete a table to indicate the effect of five errors on the profit. Most candidates managed to earn some of the available marks.

Question 4

(a) Using data provided, candidates were required to calculate the depreciation for the year on motor vehicles. This proved challenging and few candidates were able to score full marks. Many answers included extraneous items, such as opening provision for depreciation and proceeds of sale. Responses should have calculated 20% on the cost of vehicles held at the end of the financial year i.e. 20% x ($440 000 + $70 000 – $28 000).

(b) Candidates were required to prepare the accounts for motor vehicles, provision for depreciation of motor vehicles and disposal of motor vehicles. Many candidates found this difficult.

The asset account should contain the cost of the asset held at the start of the year, the cost of assets purchased during the year and the cost of assets disposed of. The provision account should contain the opening provision, the depreciation for the year and the total deprecation on the assets disposed of. The answers provided did not widely reflect a strong understanding of this, and extraneous items and incorrect wording appeared in both accounts. The disposal account should show the cost of the asset, the accumulated depreciation on that asset, the proceeds of sale and the transfer to income statement of the profit or loss on disposal. Some of the candidates were able to earn some of the available marks. However, overall, the responses indicated that this question was challenging for many candidates.

(c) Advice had to be provided to a trader on whether to change the method of depreciation from the straight line to the reducing balance method. Many candidates were able to correctly identify at least one advantage and one disadvantage and provide a recommendation. A number of responses incorrectly stated that the depreciation would ultimately affect the proceeds of sale or the working life of the asset. Some responses incorrectly assumed that the method of depreciation would affect the demand for the trader's products.

(d) A table had to be completed to indicate the most suitable method of depreciation for three non-current assets. Some candidates earned full marks.

Question 5

(a) A manufacturing account had to be prepared. Those candidates who knew the format of a manufacturing account were able to earn high marks. Common errors included:

- Omission of labels or incorrect labels
- Including items in the wrong section, such as factory indirect wages in the prime cost section
- Making the adjustment for work in progress on the overheads.

(b) The trading section of an income statement of a manufacturing business had to be prepared. Candidates were informed of the mark-up and had to use this to calculate the gross profit and the revenue. There were some good answers, but other candidates found it difficult. Common errors included:

- Omission of cost of production from **Part (a)**
- Omission of carriage inwards on finished goods
- Omission of labels for cost of sales and gross profit
- Incorrect application of the percentage of mark-up
- Inclusion of extraneous items, such as office costs and factory costs.

(c) A company concerned about the increase in trade receivables turnover and the increase in irrecoverable debts needed advice on whether to employ a consultant to review the policy and implement changes. Many candidates earned full marks as they were able to provide two advantages and two disadvantages and make a recommendation.

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

Candidates should take time to review their answers. The calculation of key accounting ratios should indicate realistic business scenarios, such as trade receivables and payables turnover periods of approximating 30 days. Many candidates would invert the ratio, arriving at inaccurate answers that should act as a warning that there is an error somewhere in the calculation. Similarly, an overdrawn cash balance arising in the cash book is not a possible reflection of cash held and a common error, such as the opening cash balance entered on the wrong side of the cash book, should be immediately suspected and checked along with other potential incorrect entries.

General comments

Most candidates demonstrated good time management. However, there appeared to be rather more 'no responses' than observed previously, with a tendency to leave questions blank that attracted 1 or 2 marks only. Candidates should attempt all questions in order to attain their highest possible grades.

Comments on specific questions

Question 1

(a) This question required candidates to update a three-column cashbook by selecting appropriate information from a range of cash and bank and credit transactions. It is important to ensure that opening balances are entered correctly. A common mistake was to enter cash as an overdrawn balance and also not identifying a credit bank balance correctly as an overdraft. The selection of the correct cash and bank transactions for entry into the cash book is critical. Most candidates recognised that entries for wages and stationery were straightforward payments, but too often credit transactions such as the purchase and return of goods on credit were recorded incorrectly into the cash book. These credit transactions will be recorded in the customer accounts in a subsequent part of the question. The use of correct account narratives and dates is essential and a reference to contra does not indicate whether the cash or bank account is receiving the transfer.

(b) This was generally well answered with the recognition of the balance being a bank overdraft. This understanding however was not always supported by a correct entry in the cashbook in **part (a)** of the question. Weaker answers mentioned 'the balance from the previous month', 'the amount owing' or 'money in the bank'; these responses were either too vague or they were incorrect.

(c) Candidates will be required, depending upon the question scenario, to update either a supplier or customer account. In this example, the credit transactions related to a customer account and there were many good answers. Often marks were missed by omitting discounts allowed upon bank receipts on the 14th September, information that should have been entered previously in the cash book in **1(a)**. Discounts received was an incorrect account name entered into this customer account and the omission of the sales returns entry was also a regular error.

(d) A significant number of candidates arrived at a debit balance brought down in the customer account from **1(c)** and linked it correctly to the current assets section in the statement of financial position. Weaker answers given were 'trade receivables' or 'expenses'. If a credit balance brought down was arrived at in **1(c)** then the answer of current liabilities was accepted, but this indicated a lack of understanding of how customer and supplier account balances would appear in the financial statements.

Question 2

(a) Incomplete records is a challenging part of the syllabus for the majority of candidates. The first part of this question requires the knowledge and application of the accounting equation to determine the opening and closing capitals. Once this is established, it is possible to determine the profit or loss made during the financial year. Surprisingly few candidates could apply the basic formula:

(assets – liabilities = capital), or would reverse the opening and closing balances after completing their calculations. This type of activity is often covered early in schemes of work and needs to be revisited when this topic is introduced.

(b) The rationale for calculating the opening and closing capitals can now be used to arrive at a profit figure, after adjusting for adding any capital introduced and deducting any drawings made. Many candidates seemed unaware of this step or were unable to apply the framework provided. Entering the data given in the question and own answers from **part (a)** would allow 3 of the 4 marks to be gained.

(c) (i) Once a profit figure is derived, the various information that will make-up the trading and income statements can be calculated. As the question requested a calculation for the credit purchases candidates could use a logic calculation or they could use a control account approach to arrive at an answer. Too often, opening and closing balances were mixed up for trade receivables and payables and taking the total receipts from customers and deducting payments to suppliers demonstrated the lack of understanding of the necessary adjustments required. The additional adjustment of deducting drawings from purchases was missed in many answers.

(ii) The calculation to total sales was answered marginally better as the cash sales of $21000 was added correctly and this gave access to the own figure mark for total sales. For many candidates, the sequence of steps required to produce accounting statements from incomplete records are not recognised, and the lack of knowledge required to make the necessary adjustments could be improved.

(d) The scenario of whether to employ a bookkeeper or not was a welcome aspect to this question and most candidates would gain 3 or 4 of the available 5 marks. Good answers clearly identified the help provided to produce financial statements through accurate record keeping/reduction in errors. Similarly, advantages such as 'aiding decision making' and enabling the owner 'to focus on other related business activities' were regularly seen and rewarded accordingly.

A recurring disadvantage that was mentioned was the opportunity for a bookkeeper to commit fraud. This was too remote and other recommendations such as employing an accountant instead of a bookkeeper was outside the scope of the question.

Question 3

(a) The club accounts topic started with the request to produce an income statement for the club café. The principles of the cost of sales computation and presentation are the same as for a trading business and most candidates could arrive at the profit from the sale of food and drink. At this stage onwards many answers included extraneous items such as club expenses that relate to the running of the club required in the answer to **part (c)**. The wages of the café assistant were the only café expenses that should have been included to arrive at the cafe profit for the year.

(b) Club accounts require the preparation of a subscriptions account, as this will usually represent the main source of income for any sports or social club. The bookkeeping entries were standard with both opening and closing balances supplied and the only other requirement being to post the bank receipts correctly in order to arrive at the transfer figure to the income and expenditure account. However, it was not well attempted with items omitted, placed on the wrong side, or labelled incorrectly in the account. Bank was often referred to as just receipts, and the figure of $3300 representing the balance on receipts and payments was regularly seen corrupting any transfer figure to income and expenditure account that may have been calculated.

(c) Most candidates were able to attempt to produce an income and expenditure account for the club. Similarly, as in **Question 2,** many answers were not linked to the main sources of income for the club prepared previously in **parts (a)** and **(b)**. Receipts of $162 000 and $27 000 were regularly reproduced incorrectly here, and only occasionally was bank interest of $720 recognised as being received by the club.

Marks were picked up for expenses, but poor labelling and infrequent attempts to adjust the rent figure meant that between 2 and 4 marks were the returns for the majority of candidates.

Question 4

(a) This was well answered with most candidates able to make the distinction between a public limited company and a private limited company, although there were a lot of incorrect references to the government.

(b) Many candidates experienced difficulty in expressing their answers in respect of issued share capital. Issued share capital differs to authorised share capital. Issued share capital will depend upon the amount of capital a company wants to raise. Shareholders may not always receive the amount they have applied for, receiving only shares based upon the number of shares issued. The second aspect of this question related to called up share capital. Answers were slightly better with the recognition that shares are paid for in stages by shareholders in response to the company's demand and planned usage of the capital raised. Key terms such as 'payment has been requested/or asked for' would receive the second mark for this question.

(c) Most candidates could answer one and often two benefits to operating as a limited company. Regular answers described the protection of limited liability for shareholders, access to additional capital and separate legal identity. Emphasis for limited liability had to be accompanied with 'for shareholders', and there were examples of benefits to sole proprietors or partnerships that resulted in irrelevant or inaccurate responses.

(d) Statement of changes in equity remains a popular question with candidates, although this had slightly higher marks available as two dividends were paid, and the retained earnings required the deduction of a preference share dividend to obtain both marks before entering into the statement. The main weaknesses identified in the answers ranged from incorrect labels with only dates being entered, mistakes in arithmetic and the inability to align figures into the correct column.

(e) There were surprisingly few fully correct answers for the extract of the statement of financial position based upon the information prepared in **part (d)**. The tabular statement of changes in equity is designed to show the movement of the different categories of equity and reserves. The closing balances are then disclosed within the statement of financial position in the same order as given in the question template, starting with the most permanent ordinary share capital first. The main weaknesses in the answers given were often due to candidates not transferring the information correctly from **part (d)**, or the inclusion of preference shares which are viewed as external finance and excluded from equity.

(f) This was a generally a well attempted question with many candidates able to score 4 marks. Weaker candidates tended to misuse technical terms and confused dividends with interest and share capital with loan capital. Strong answers identified voting rights, repayment or not and the possible dilution of ownership, but the minority recognised that interest had to be paid on debentures regardless of the profit level.

Question 5

(a) Key performance indicators (ratios) are used regularly in business and by accountants to interpret possible reasons why businesses are successful and to provide targets for future improvements. It is most important that candidates are able to calculate a range of ratios correctly, so that the process of interpretation of accounting information can be developed. The three ratios covered the main aspects of working capital management, and it is standard practice to round up the trade receivables and trade payables turnover periods to the nearest number of days. This was ignored in many answers, and it is essential to read the rubric and decide how the ratio should be presented. Weaker responses confused the multipliers that were required with 30, 100 or 360 being used in place of 365. As mentioned in the Key Messages section, this led to inaccurate answers and highlighted a lack of understanding behind why the calculations are carried out.

(b) This written question was well answered and many candidates identified that money would be received faster, trade receivable turnover would improve but the downside of the policy is the likelihood that customers might be dissatisfied, and this would result in a further loss in sales. A number of responses confused debt collection with debt factoring and made comments such as ‘there would be no irrecoverable debts’ and ‘no need to have a provision for irrecoverable debts’, both not realistic from a business perspective.

(c) Good answers were followed up here with relevant suggestions on how to improve the trade receivables turnover period. Many answers mentioned offering a discount to customers, but omitted to qualify the term with cash correctly as opposed to trade discount, which was incorrect. A simplistic answer to this style of question is to offer ‘cash sales only’. For most businesses who rely on a credit sales model this is not a realistic suggestion.

(d) (i) Gross margin could be improved through the reduction in the cost of sales by finding a cheaper supplier or by increasing the selling price. Too many answers just mentioned reduce the cost of sales, this requires a way that this can be achieved and an increase in sales will not alter the gross margin. Surprisingly few responses mentioned changing the proportion of product types sold which is a common method employed by businesses.

(ii) Profit margin improvement was easily answered, with the main answer being ‘reduce expenses’. Improving sales would not automatically drive through to the net profit, especially if the increase resulted in higher operating expenses. A possible alternative answer ‘to increase other income’ was rarely seen, and should be considered to further aid candidates’ understanding of the dynamics of business margins.

(e) (i) A straight forward journal entry presented more problems than would have been expected. Incorrect account names such as ‘Azim’ and ‘suspense’ were used, and several examples used an incorrect figure of 680.

(ii) Finally, a tick-box exercise where most candidates achieved 1 of the 2 marks available. The reduction in purchases due to the owner’s drawings would lead to an increase in the gross profit. The increase in drawings is equal to the increase in gross profit. The overall impact therefore is no effect upon closing capital. Candidates with a sound grounding in double entry bookkeeping will understand the previous journal (**part d**) and be able to track more easily the impact that this error will have upon resources.

ACCOUNTING

Paper 0452/23
Paper 23

Key messages

It is important that candidates have studied all the topics on the syllabus. It is an advantage if candidates are familiar with the correct presentation of the various year-end financial statements. In addition to recording financial information and preparing financial statements, candidates should be able to apply their knowledge to various scenarios.

It is recommended that candidates read each question carefully before attempting an answer. They should be fully aware of exactly which tasks they are expected to complete.

Working through past examination papers and examples, or practice questions in accounting textbooks, is useful when preparing for the examination.

Many scripts were neat and tidy, but, on some scripts, both words and figures were extremely difficult to read. A candidate should ensure their script is legible.

If a candidate requires more space for their answer than is provided, or wishes to re-write their answer, it is important to indicate where the additional work is to be found. A note ‘see page xxx’ or ‘continued on page xxx’ ensures that this additional work is not overlooked.

General comments

All the questions on the paper are compulsory so it is essential for candidates to be familiar with, and have an understanding of, all the topics on the syllabus. Those candidates who were well-prepared were able to earn good marks. A number of candidates would have benefitted from further study before entering an examination of this level. Candidates are advised to attempt to answer all of the questions. Some candidates did not attempt to answer questions which involved placing ticks in a table, or those which required a few words as an answer.

Candidates are reminded that inappropriate abbreviations within accounts and financial statements are not acceptable. For example ‘C of P’, ‘PC’, ‘GP’, ‘NP’, and ‘I on C’ are not acceptable labels for figures within a set of financial statements.

As usual, the paper contained three five-mark questions which required candidates to discuss a given scenario and recommend a course of action. Candidates are becoming more familiar with this type of question and many are clearly listing the advantages and disadvantages and providing a recommendation. A number of candidates omitted the recommendation.

Comments on specific questions

Question 1

(a) This question required candidates to update and balance the bank columns of a cash book. There was a wide range of marks. Common errors included:

- Inclusion of extraneous items, such as bank statement balance
- Inclusion of items already recorded in the cash book, such as the cheque not credited
- Incorrect labelling, such as ‘dishonoured cheque’
- Omission of the opening credit balance.

(b) A bank reconciliation statement had to be prepared. Whilst there were some wholly correct answers, this question proved to be difficult for many candidates. Common errors included:

- Omitting to start with the closing balance on either the cash book or the bank statement
- Not understanding which balance was positive and which was overdrawn
- Incorrect treatment of the amounts not presented and not credited
- Incorrect labelling or omission of labels
- Inclusion of extraneous items, such as bank charges and dishonoured cheques.

(c) Two advantages of preparing a bank reconciliation statement had to be stated. Many candidates were able to correctly identify one advantage. Common incorrect answers included reducing and correcting errors and preventing fraud.

(d) Candidates were required to state why a bank overdraft appears as a debit balance on a bank statement. This represents an amount owing to the bank which is, therefore, an asset to the bank.

(e) Advice had to be provided to a trader on whether to introduce additional capital in order to pay off a bank overdraft. Many recognised that this would reduce the bank interest, but would reduce the personal funds of the trader. However, they were often unable to add any further comments. Some responses did not appear to be able to distinguish between advantages and disadvantages of this course of action.

Question 2

(a) The profit and loss appropriation account of a partnership had to be prepared. This was often very well done and many candidates earned high marks. Many candidates did adjust the profit for the year for the loan interest, although some incorrectly included this as an appropriation of profit.

(b) The capital accounts and the current account of a partner had to be prepared. Many responses earned high marks, but others did not demonstrate an understanding of the difference between these two accounts. Common errors included:

- Inclusion of extraneous items, such as interest on capital and drawings in the capital account
- Inclusion of some items, such as interest on capital in both accounts
- Inclusion of extraneous items, such as total profit and items relating to the other partner
- Not balancing the accounts.

(c) Most candidates were able to correctly identify two disadvantages of operating as a partnership, with profit-sharing and disagreements being common responses. A number of answers appeared to misinterpret the question and provided answers relating to advantages.

(d) A journal entry to record the payment of loan interest was required. This should have been a basic journal entry, debiting the interest on loan and crediting the bank, but most candidates found this challenging.

Question 3

(a) Journal entries to correct five errors had to be prepared. Some candidates earned good marks. Errors 2 and 5 caused the most problems.

To correct Error 2, the capital account had to be credited with $14 000 and the motor vehicle account and the vehicle maintenance account each had to be debited with $7000. Many answers did not debit the drawings account and credit the cash account with $400 each in order to correct Error 5.

(b) A suspense account had to be prepared. Many candidates obtained high marks in **Part (a)**, but often struggled to write up the suspense account correctly. Extraneous items were frequently included. Some candidates carried the difference on the trial balance down as the closing balance.

(c) The majority of candidates correctly identified the errors made in Items 4 and 5.

(d) Candidates were required to complete a table to indicate the effect of five errors on the profit. Most candidates managed to earn some of the available marks.

Question 4

(a) Using data provided, candidates were required to calculate the depreciation for the year on motor vehicles. This proved challenging and few candidates were able to score full marks. Many answers included extraneous items, such as opening provision for depreciation and proceeds of sale. Responses should have calculated 20% on the cost of vehicles held at the end of the financial year i.e. 20% x ($440 000 + $70 000 – $28 000).

(b) Candidates were required to prepare the accounts for motor vehicles, provision for depreciation of motor vehicles and disposal of motor vehicles. Many candidates found this difficult.

The asset account should contain the cost of the asset held at the start of the year, the cost of assets purchased during the year and the cost of assets disposed of. The provision account should contain the opening provision, the depreciation for the year and the total deprecation on the assets disposed of. The answers provided did not widely reflect a strong understanding of this, and extraneous items and incorrect wording appeared in both accounts. The disposal account should show the cost of the asset, the accumulated depreciation on that asset, the proceeds of sale and the transfer to income statement of the profit or loss on disposal. Some of the candidates were able to earn some of the available marks. However, overall, the responses indicated that this question was challenging for many candidates.

(c) Advice had to be provided to a trader on whether to change the method of depreciation from the straight line to the reducing balance method. Many candidates were able to correctly identify at least one advantage and one disadvantage and provide a recommendation. A number of responses incorrectly stated that the depreciation would ultimately affect the proceeds of sale or the working life of the asset. Some responses incorrectly assumed that the method of depreciation would affect the demand for the trader's products.

(d) A table had to be completed to indicate the most suitable method of depreciation for three non-current assets. Some candidates earned full marks.

Question 5

(a) A manufacturing account had to be prepared. Those candidates who knew the format of a manufacturing account were able to earn high marks. Common errors included:

- Omission of labels or incorrect labels
- Including items in the wrong section, such as factory indirect wages in the prime cost section
- Making the adjustment for work in progress on the overheads.

(b) The trading section of an income statement of a manufacturing business had to be prepared. Candidates were informed of the mark-up and had to use this to calculate the gross profit and the revenue. There were some good answers, but other candidates found it difficult. Common errors included:

- Omission of cost of production from **Part (a)**
- Omission of carriage inwards on finished goods
- Omission of labels for cost of sales and gross profit
- Incorrect application of the percentage of mark-up
- Inclusion of extraneous items, such as office costs and factory costs.

(c) A company concerned about the increase in trade receivables turnover and the increase in irrecoverable debts needed advice on whether to employ a consultant to review the policy and implement changes. Many candidates earned full marks as they were able to provide two advantages and two disadvantages and make a recommendation.