

ACCOUNTING

Paper 9706/11
AS Level Multiple Choice

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

Key messages

- Read questions carefully and thoroughly revise basic accounting principles and definitions.
- With control account questions, take care to understand whether the question is examining items in the control account or the relevant balances. Some items may not be relevant.
- Ensure opening and closing balances in T-accounts are dealt with on the correct side.

General comments

Of the candidates who sat this examination, 40 per cent achieved a score of 11 or more correct answers. The mean score was 11 marks. **Question 5** was straightforward with 74 per cent of the candidates identifying the key. Candidates found six questions (**Q3, 6, 9, 11, 14** and **23**) challenging.

Comments on specific questions

Question 3

Most candidates identified statement 2 as being correct. But some candidates were tempted to look for other reasons and opted for either distractor **A** or **C**. It is important to understand that depreciation is not a replacement fund and consistency applies generally to accounting policies. The key was **B**.

Question 6

Some candidates separately opted for distractors **A** and **C**. If the credit notes have been omitted, an internally produced trial balance or control account will not identify a problem. Thus, third-party verification is required i.e., statements of account. Very few candidates opted for key **B**.

Question 9

Candidates needed to recognise that the opening figure of \$57 400 was the total of a list of balances. Many candidates did not appreciate that the postings from the cash book and the journal relate to the control account. Only the omitted returns outwards affect the individual balances. Few candidates chose key **D** calculated by $\$57\,400 - \$350 = \$57\,050$.

Question 11

Almost half of the candidates chose distractor **B** (the current year allowance) but did not appreciate that the question asked for the effect of the **change** in the allowance. Thus, the allowance reduced from \$500 to \$400 with a consequent increase in profit of \$100 = key **C**.

Question 14

Confusion over debits and credits led many candidates to choose either distractor **B** or **C**. The key **A** was chosen by only a few candidates based on $\$47\,500 - \$40\,000 - \$4\,500 - \$2\,000 = \$1\,000$.

Question 23

Just over half of the candidates chose distractor **D** perhaps confused between total variable costs and per unit variable costs. Whilst **total** variable costs increase with output, unit costs remain the same. A fifth of the candidates chose key **C**.

ACCOUNTING

Paper 9706/12
AS Level Multiple Choice

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

Key messages

- When dealing with adjustments to profits, take care to consider all the elements that could affect them. Transactions involving assets often have other adjustments to deal with.
- With control account questions, think carefully about what has been done and what pieces of information are relevant. Some may not be.
- Be clear about the characteristics of share capital, reserves, rights issues and bonus issues.

General comments

Of the candidates who sat this examination, 45 per cent achieved a score of 14 or more correct answers. The mean score was 14 marks. **Question 1** and **27** were straightforward with many candidates identifying the key. Candidates found two questions challenging. These were **questions 4** and **10**. There were three other questions (**Questions 5, 18** and **20**) where more candidates chose a distractor than the key.

Comments on specific questions

Question 4

Many candidates opted for distractor **A** or **C**. Those opting for **A** identified the loss on sale of \$1500 but overlooked the sales overstatement. Those opting for **C** recognised the sales error but overlooked the loss on sale. The reversal of the sales posting **and** the accounting for the loss on sale gave a total of \$8000, therefore, key **D**.

Question 5

Many candidates opted for distractor **B** calculated as $\$20\,000 + \$6\,000 - \$2\,500 = \$23\,500 - \$4\,700$ (20 per cent depreciation) = $\$18\,800$. However, this overlooked the need to split the year into two periods to deal with the asset disposal. A similar number of candidates opted for the key **C** calculated as:

$\$20\,000 - \$2\,000$ (H1 depreciation) – $\$1\,750$ (H2 depreciation) – $\$2\,500$ (disposal) + $\$6\,000$ (new asset) – $\$600$ (depreciation) = $\$19\,150$.

Question 10

With this question, candidates were confused by their debits and credits, and a 'red herring'. Some candidates opted for distractor **A** ($\$92\,460 - \$1\,440 - \$1\,000$), or distractor **D** ($\$92\,460 - \$1\,000 + \720) distractor **C** ($\$92\,460 - \720). The incorrect contra has to be credited to remove the mis-posting and then credited again. The balance of $\$1\,000$ is an allowance and not a write-off so should be ignored. The correct calculation of $\$92\,460 - \$1\,440 = \$91\,020$ produced key **B**.

Question 18

Some candidates chose distractor **C** overlooking that a bonus issue will increase capital but reduce reserves by the same amount. Only the rights issue would result in a net increase in capital and reserves ($15\,000 \times \$0.60$) and increase cash (current assets) by the same amount. The key was **A** chosen by many candidates.

Question 20

Distractors **A**, **B** and **C** all involve an element from each of the numerator and denominator in the calculation of the current ratio. Distractor **B** was the most popular of the three. However, reducing monthly drawings would mean more cash retained in the business – this would enhance the numerator and improve the ratio. Thus the key was **D**.

ACCOUNTING

Paper 9706/13
AS Level Multiple Choice

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

Key messages

- With questions relating to control accounts, consider carefully all the debit and credit elements and how they may affect the solution. Be vigilant for unusual items or 'red herrings'.
- When calculating the effect of changes, consider carefully what information has been provided in terms of what has changed. Be careful with assumptions as other items may not have changed.

General comments

Of the candidates who sat this examination, 51 per cent achieved a score of 17 or more correct answers. The mean score was 17 marks. **Question 1, 20 and 25** were straightforward with majority of candidates identifying the key. Candidates found two questions challenging. These two questions are considered below.

Comments on specific questions

Question 12

Many candidates opted for distractor **C**. The item causing the difficulty was the debit balance of \$70 that had been omitted from the control account. To enable this balance to be brought down as a debit balance in the next period, it needed to be included as a credit in the control account in the current period. Thus, the corrected balance should have been calculated as $\$7640 + \$250 - \$630 + \$70 + \$540 = \$7870 = \text{key D}$.

Question 29

Around half of the candidates opted for either distractor **B** or the key **D**. In the absence of information to the contrary, the question assumes that the contribution will increase from \$20 to \$25. The original contribution amounted to \$90 000 and so, with the new contribution per unit, a total of 3600 units will be required to achieve this. Candidates electing distractor **B** correctly recognised that fewer units would be required but did their calculation assuming that the contribution/sales ratio would stay the same.

ACCOUNTING

<p>Paper 9706/21 AS Fundamentals of Accounting</p>
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Key messages

- In written questions, candidates should make sure that they provide sufficient development to their answers. One or two-word answers will seldom suffice, and this is particularly important when the command word in the task is 'explain'. Well-prepared candidates appear to be taking notice of this advice and are gaining addition marks by doing so.
- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates are unfairly penalising themselves.
- All financial statements must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full, never abbreviated..
- When asked to present accounts, labels and dates are very important and failure to be accurate in this respect will result in lost marks. Abbreviations of labels are not acceptable.

General comments

Overall performance of candidates was not to a satisfactory level. There were relatively few strong scripts and many candidates appeared to be totally unprepared.

Comments on specific questions

Question 1

The question concerned the accounts of a partnership which does not maintain full accounting records.

- (a) Candidates were provided with details of various revenue items throughout the year and were required to calculate the total revenue for the year. Few candidates were able to correctly answer this task. Most did not appreciate that the key was to calculate the revenue from credit customers considering their outstanding balances at the end of the period.
- (b) Required candidates to prepare the statement of profit or loss for the year from data provided. Adjustments were required for six unaccounted for items. Well-prepared candidates were able to obtain around one-half of the ten available marks, others found difficulty in making the necessary adjustments to the opening figures and seldom achieved more than two or three marks.
- (c) Required candidates to prepare the current assets section of the statement of financial position. A minority of candidates were able to produce a valid statement. The main error of those who attempted the task was a failure to calculate a correct balance of cash at bank.
- (d) Candidates were required to calculate the balance on one of the partner's capital accounts at the end of the year. Several candidates produced a mass of figures with little structure but those who presented their answer in the form of a debit/credit T account were far more successful in gaining at least three of the available six marks.
- (e) Candidates were asked to advise the partners whether or not they should maintain a full accounting system using an accounting software package. There were several good responses to this task with many candidates offering valid advantages and disadvantages.

Question 2

The second question focussed on accounting errors.

- (a) Required candidates to state two benefits of preparing a trial balance. Most candidates correctly identified the arithmetical accuracy of the double entry records though fewer candidates recognised the value in preparation of the financial statements.
- (b) Data was presented of four errors not affecting the balancing of the trial balance and candidates were required to prepare journal entries to correct each error. Well prepared candidates were able to gain at least six of the available marks for this task though several showed little knowledge of basic double entry bookkeeping.
- (c) Candidates were required to state what is meant by an error of principle and to give one example of such an error. Many responses lacked sufficient precision to be rewarded and examples were frequently incorrect.
- (d) Required candidates to explain, with reference to an accounting concept, why an entry must be made for goods taken for own use. Whilst some correctly identified the business entity concept, explanations of the reasons were usually too vague to be rewarded more than one of the available two marks.

Question 3

The question concerned aspects of the accounts of a limited company.

- (a) Candidates were provided with data relating to either opening or closing balances of equity accounts and were asked to complete the statement of changes in equity. Many candidates offered no response to this task whatsoever. Those who did attempt the question frequently failed to gain more than one mark for identifying the correct placement of the profit for the year. Many candidates were clearly unfamiliar with the structure and preparation of this statement.
- (b) Asked candidates to explain two reasons why investors may prefer to invest in debentures rather than in ordinary shares. Whilst some candidates correctly identified the fixed rate of interest and the less risky nature of debentures due to the presence of security, very few offered valid development of their identified points to gain additional marks.
- (c) Candidates were required to state three uses of a share premium account and responses were very poor overall with little of value except the ability to offer bonus shares to shareholders.

Question 4

The final question concentrated on cost and management accounting.

- (a) Required candidates to explain two reasons why a manufacturing company might change from using absorption costing to using marginal costing. Some candidates identified the usefulness of marginal costing for short-term decision making and the avoidance of over/under absorption of overheads. However, once again, development of identified points was frequently not present, so marks were very restricted.
- (b) Required candidates to calculate the contribution to sales ratio and whilst some appeared to be unfamiliar with the ratio, others had no difficulty in the calculation.
- (c) Required candidates to calculate the breakeven point in revenue and based on own figure answers to **part (b)**, most demonstrated an understanding of the technique.
- (d) Candidates were asked to calculate the sales revenue required to achieve the directors' target profit. Those candidates who showed their detailed working performed better than those who simply wrote down their end result. Marks are always awarded for valid workings.
- (e) Candidates were required to state three reasons why a special order with a negative contribution might be accepted. Well-prepared candidates were able to state at least two valid reasons but others either offered no response or offered very vague responses.

- (f) Candidates were provided with data for another factory that produced three products. Due to a shortage of available material, candidates were required to calculate the optimum profit to be made. Only a small number recognised the technique to answer this question relied on calculating the contribution per unit of material used. As a result, many candidates did not attempt the question and of those who did, only a handful received full marks for a totally correct answer.
- (g) This question built on the previous question asking for the additional profit to be made if an alternative overseas supplier was used with a less expensive material price. Very few candidates were able to offer a response to the task by calculating the revised contribution and the revised fixed costs..
- (h) The final task asked candidates to advise the directors whether or not the new supplier should be used. Given the difficulties from the earlier tasks, only few candidates gained more than half of the available marks though some did attempt to detail the potential difficulties of dealing with an overseas supplier to gain two or three marks.

ACCOUNTING

<p>Paper 9706/22 AS Fundamentals of Accounting</p>
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Key messages

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates are unfairly penalising themselves.
- In written questions, candidates should make sure that they provide sufficient development to their answers. One, or two-word answers will seldom suffice. Candidates appear to be taking notice of this advice and are gaining additional marks by doing so.
- All financial statements must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full, never abbreviated.
- Candidates must learn the acceptable formats for both financial statements and management accounting statements such as marginal costing statements.

General comments

There were some strong scripts in this examination series with appropriate presentation of financial statements. Candidates should take particular note of the labels in financial statements which must be aligned with the up-to-date terminology and also the importance of the presentation of management accounting reports.

Comments on specific questions

Question 1

The question concentrated on the incomplete records of a sole trader.

- (a) Required candidates to calculate the gross profit of the trader having been provided with details of sales and the mark-up. Several candidates did not correctly apply the 50 per cent mark-up, confusing mark-up with margin.

- (b)(i)(ii) **Part (i)** required candidates to calculate the purchases for the year and **part (ii)** required calculation of the goods taken for own use by the trader.

Calculation of the purchases proved less challenging to candidates making use of the opening and closing balances of trade payables and making an adjustment for the discounts received which resulted in the total purchases. Many candidates did not take account of the discounts allowed.

Calculation of the goods taken for own use required adjustments to the opening and closing inventory figures provided. However, several candidates appeared to have difficulty in knowing the approach to take.

- (c) Required candidates to prepare an extract of the statement of profit or loss for the business commencing with the gross profit for the year calculated in **part (a)**. Adjustment was required for various opening and closing prepayment and accruals and many candidates performed well in this task. The most common error was a failure to take account of the discount received and errors in the calculation of depreciation for the year. Most candidates produced well documented workings and this in turn resulted in the improved performance.

- (d) Required candidates to explain why the trader adjusted income and expenses when preparing the statement of profit or loss with reference to an accounting concept. Whilst many candidates correctly identified the accruals/matching concept, others felt that the prudence concept applied. Explanations of the correct concept were generally well stated.
- (e) This task was to advise the trader whether to form a partnership or alternatively form a limited liability company to expand the business. This task was generally well answered by many candidates with several offering well developed advantages, in particular. Candidates were often more comfortable addressing the partnership issues rather than limited companies.

Question 2

The second question focused on the financial statements of a limited company.

- (a) Candidates were provided with a list of balances at the year-end together with details of three errors that required adjustment and were required to calculate the corrected balance of retained earnings after correction of the errors. Results were very mixed with well-prepared candidates gaining all five available marks though other found the adjustment to depreciation particularly challenging.
- (b) Required candidates to prepare the statement of financial position. Stronger responses had the correct presentation of the statement with many providing correct headings in accordance with new terminology. Several candidates did not provide the total of the equity and liabilities and similarly the total equity with correct labels. The most common error was to classify the debenture as a non-current liability even though it was due for payment in the next financial year.

Question 3

The question focused on accounting ratios and a discussion on the business performance.

- (a) (i) Candidates were required to calculate and provide the formula for trade payables turnover (days). This was generally well answered though some candidates failed to refer to credit purchases as distinct to just purchases in the formula.
- (ii) Required calculation of the trade receivables turnover (days) and again, some failed to distinguish between credit sales and just sales. The most common error in the calculation was a failure to round the resultant days upwards to the next whole day.
- (b) With reference to the calculated results from **part (a)**, candidates were required to discuss the performance of the business over the twelve months. Results were often disappointing with many candidates offering only a basic description of what had happened to each ratio rather than focussing on a discussion of the effects or impact on either cash flow or liquidity.
- (c) Whilst the work on calculation of the two ratios in **part (a)** was generally good, candidates appeared to be less sure of the calculation of the rate of inventory turnover. Whilst many were clearly aware of the need to calculate the average inventory, many were unaware of how to incorporate this into their calculation.
- (d) Finally, candidates were required to explain the importance of inventory turnover to a business and only a minority of candidates gave a sufficiently developed response to be awarded two marks.

Question 4

The final question focused primarily on marginal costing.

- (a) The first task asked candidates to explain two uses of absorption costing. Whilst several candidates appeared to know what absorption costing is, as is often the case, many did not offer sufficient development to their identified point to gain more than one or two marks.
- (b) Asked to calculate the breakeven point produced a correct response from the majority of candidates.

- (c) Given the forecast sales for a month, candidates were required to calculate the forecast profit or loss for the month. Due to an incorrect calculation of fixed costs by many, the most popular incorrect answer was a profit of \$59 040 when it was a loss of \$21 600.
- (d) Candidates were required to calculate the number of units to be sold to achieve the target profit. Some candidates appeared to be unfamiliar with the technique of applying the target profit and this resulted in a number of incorrect answers.
- (e) Candidates were informed that a competitor is stopping production of the same product, and they propose two options to take advantage of the situation. Candidates were required to calculate the monthly profit to be made from option A. Candidates who undertook this task in a clearly presented way usually arrived at the correct profit figure. The most common errors were incorrect calculations of units to be produced or of fixed costs. Many candidates provided their responses in a disorganised manner.
- (f) Required candidates to prepare a monthly marginal costing statement for option B. Whilst there were several totally correct statements, a few candidates did not present their answer in a marginal cost statement format. In some cases, only two marks were awarded in total for the own figure calculations of contribution and profit.
- (g) Finally, candidates were asked to advise the directors whether or not they should go ahead with either option together with justification of their choice. There were several good answers to this task based on the candidates' own responses to the previous tasks. It was pleasing to note that many candidates offered well developed reasons for their advice. A few candidates did not take account of the instruction to consider both financial and non-financial factors in their justification and thereby restricted their final mark.

ACCOUNTING

<p>Paper 9706/23 AS Fundamentals of Accounting</p>
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Key messages

- In written questions, candidates should make sure that they provide sufficient development to their answers. One or two-word answers will seldom suffice and this is particularly important when the command word in the task is 'explain'. Candidates appear to be taking notice of this advice and are gaining addition marks by doing so.
- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates are unfairly penalising themselves.
- All financial statements must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full, never abbreviated.
- When asked to present accounts, labels and dates are very important and failure to be accurate in this respect will result in lost marks. Abbreviations of labels are not acceptable.

General comments

There were some good scripts in this examination series with appropriate presentation of financial statements. Candidates should ensure using correct labels in financial statements which must be aligned with the up-to-date terminology and also the importance of correct dates and details in double entry accounts.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

- (a) Candidates were required to explain the accounting concept applied to the valuation of inventory. Most correctly identified the prudence concept and followed up with a valid explanation of the application.
- (b) Required candidates to calculate the revised gross profit of the company having been provided with details of three adjustments. Some candidates did not make the correct adjustment for the misallocation of sales returns, but generally calculations were very good.
- (c) Candidates were provided with a list of opening and closing balances together with items that required adjustments to be made to the financial statements. Having calculated the gross profit for the year in **part (b)**, candidates were required to prepare the statement of profit or loss for the year commencing with the gross profit and taking account of the required adjustments.

Well-prepared candidates were able to gain good marks for the question. Calculation of the administrative expenses and distribution costs proved to be the most challenging task though candidates who showed well-structured workings tended to score much higher marks.

- (d) Required candidates to prepare the equity and liabilities section of the statement of financial position. Most candidates were clearly aware of the structure of the statement and presentation was generally good though often lacking use of the new terminology required. The most common error was to classify the debenture as a non-current liability even though it was due for repayment

in the next financial year. Several candidates also found calculation of the retained earnings difficult, often failing to make the necessary adjustment for the dividend paid.

- (e) Asked candidates to advise the directors whether they should raise additional finance by making a general issue of shares or by the issue of a further debenture. This was well attempted by most candidates with good points identified for both options though responses sometimes lacked development to gain additional marks. Most then offered valid advice based on their own comments.

Question 2

The second question focused on control accounts

- (a) Required candidates to state three benefits of maintaining control accounts. Majority of candidates were able to identify three valid benefits for all three marks.
- (b) Candidates were told that the closing balances of both control accounts did not agree with the individual balances in the purchases and sales ledgers. Five separate errors were identified and candidates were required to correct the accounting records for purchases ledger control account and the purchases ledger balances. Candidates often struggled to choose the correct course of action for some of the errors. Many candidates did not label their final corrected totals and lost one mark.
- (c) Using the same data provided for **part (b)**, candidates were asked to undertake the same exercise for the sales ledger. The comments above for **part (b)** apply to this task too.
- (d) Required candidates to explain why contra entries may be made in control accounts. Many candidates found this task difficult because they did not recognise the key factor that a credit supplier may also be a credit customer.

Question 3

The question concentrated several aspects of allowances for irrecoverable debts.

- (a) Candidates were asked to explain two accounting concepts applied when making an allowance for irrecoverable debts. Whilst most candidates correctly identified the prudence concept and the matching/accruals concept, development to back up their identification was frequently not precise enough to be rewarded.
- (b) Required candidates to state two factors to be considered when deciding the percentage to be used for the allowance for irrecoverable debts. Many candidates appeared to be unaware of the factors to be considered though well-prepared candidates frequently identified the age of the debt and general economic trends.
- (c) Provided with data covering three years trade receivables and the percentage of the allowance, candidates were required to prepare the allowance for irrecoverable debts account covering the final two years. Several candidates did not enter any dates in their account and labels were frequently incorrect or abbreviated. These rules are very important for all candidates to follow.
- (d) The final task required candidates to state the double entry necessary to record two transactions. Firstly, writing off an irrecoverable balance on an account was generally well answered though the subsequent recovery of an amount written off proved challenging to many candidates. Despite being asked to state the double entry required, many candidates did not include an amount in their answer.

Question 4

The final question concentrated on cost and management accounting. This question focused on elements of absorption costing together with a written question on just in time (JIT).

- (a) Required candidates to explain the terms allocation and apportionment. Responses to this question frequently lacked sufficient precision to be rewarded.

- (b) Candidates were required to complete a table to show the apportionment of budgeted overheads for the year. Most candidates undertook correct calculations to complete the table correctly.
- (c) Required candidates to calculate the overhead absorption rate for the two production departments. Despite being told in the question that the rate should be to two decimal places, some candidates did not do this. Many candidates correctly identified whether the rate is on machine hours or on direct labour hours – an essential part of their answer to gain full marks.
- (d) Candidates were required to calculate the under-absorption or over-absorption of overheads for the preparation department. Most candidates were aware of the technique involved though some were unsure whether an over-absorption or under-absorption was indicated.
- (e) Candidates were provided with details of an order received from a customer and were asked to calculate the selling price to achieve a gross margin of 50 per cent. Many candidates showed the necessary knowledge to account for the overheads to be applied to the order and there were a good number of totally correct responses.
- (f) The final task asked candidates to advise the directors whether or not they should switch to a JIT method of inventory valuation. Whilst a minority of candidates appeared to be totally unfamiliar with this subject area, many responses dealt not only with the more obvious advantages of the system but also explained the disadvantages that the directors should also consider.

ACCOUNTING

<p>Paper 9706/31 A Level Financial Accounting</p>

There were too few candidates for a meaningful report to be produced.

ACCOUNTING

<p>Paper 9706/32 Financial Accounting</p>

General comments

There were three questions on the paper and overall performance was reasonable with question two being the least well answered question.

Comments on specific questions

Question 1

- (a) Although some candidates were able to clearly state two differences between the accounts many provided repetitive comments or failed to show the differences.
- (b) The statement of profit or loss was prepared to a reasonable standard with nearly all candidates producing the statement in the correct format. Many candidates were unable to apply the given mark-up correctly and the coffee machine written off was often omitted from the statement.
- (c) The income and expenditure account was well prepared with a limited number of fully correct accounts. There were some correct postings for subscriptions, but many candidates did not account correctly for the owing and prepaid subscriptions. Many candidates disregarded the subscription written off.
- (d) Nearly all candidates provided the required advice. Most supported their decision with at least two valid points of justification.

Question 2

- (a) (i) Some candidates identified the relevant international accounting standard but relatively few stated that the policy should be applied retrospectively. Although most candidates did calculate the depreciation charge correctly, few explained the treatment of the charge against opening retained earnings, profit for the year and non-current assets.
- (ii) Most candidates identified the relevant accounting standard. Many candidates identified that the inventory should be valued at the lower of cost and net realisable value. Relatively few candidates applied their knowledge to provide a correct inventory value with many not considering the categories individually.
- (b) The statement of changes in equity was not well answered with a range of errors. Common errors included the incorrect treatment of the bonus issue and the failure to account correctly for the opening balance and the profit for the year.
- (c) The statement of financial position was prepared to a reasonable standard but there were only few fully correct statements. Only some candidates adjusted the draft non-current assets figure correctly and few deducted the accrued debenture interest which was included in the draft debenture figure.

Question 3

- (a) Many candidates demonstrated sound knowledge of the benefits of a merger. Some candidates did not sufficiently develop their answer to be awarded the second mark for the identified benefits.

Cambridge International Advanced Subsidiary Level
9706 Accounting June 2024
Principal Examiner Report for Teachers

- (b)** There were some fully correct statements which contained correct goodwill and revaluation adjustments. A common error was the incorrect calculation of the goodwill. This was often due to the failure to double the average profits. Some candidates accounted for the adjustments in the incorrect direction.
- (c)** The statement of financial position was prepared to a high standard with many candidates being awarded the four available marks. A few candidates did not present the capital accounts correctly.
- (d)** This was well answered with nearly all candidates providing the required comment as to whether the right decision had been made. Most candidates also gave at least two appropriate justification points.

ACCOUNTING

<p>Paper 9706/33 A Level Financial Accounting</p>

General comments

Overall performance was acceptable with question one being the best answered question while question three was the least well answered.

Comments on specific questions

Question 1

- (a) Many candidates identified two costs, some identified three costs but relatively few were able to provide four appropriate costs. A few candidates made some calculations but this was not a requirement of the question.
- (b) The manufacturing account was prepared to a high standard with some fully correct accounts. Nearly all candidates prepared the account in the prescribed format and the most common error was the failure to label cost of direct materials consumed.
- (c) The statement of profit or loss was also prepared to a high standard with some fully correct accounts. Presentation of the statement was invariably very good. Common errors were the omission or incorrect treatment of the factory profit and / or the decrease in unrealised profit.
- (d) Most candidates provided the required advice and many gave various points of justification. Responses were generally balanced and performance was acceptable.

Question 2

- (a) Some candidates had little knowledge of the stewardship role of the directors but most provided a reasonable response which demonstrated a sound understanding.
- (b) There were many correct calculations of the working capital cycle. The most common error was the incorrect treatment of the non-current asset turnover which resulted in an incorrect value for sales revenue. Some candidates ignored the requirement to round up the components to the nearest day.
- (c) There were many correct ratio calculations but a few did not provide their answers to two decimal places. The price earnings ratio was calculated correctly by many candidates but a few calculated the earnings per share and did not then provide the price earnings ratio. Although there were a significant number of correct dividend yield calculations some candidates omitted the proposed final dividend and some included the previous year's final dividend. The interest cover was calculated correctly by many candidates but some omitted the suffix.
- (d) Many candidates made appropriate comments on trade receivables, trade payables and inventory but relatively few considered the overall efficiency of the working capital cycle.

Question 3

- (a) Most candidates made a reasonable attempt at the question and received partial credit but there were few fully correct schedules. Some candidates showed very few workings or indeed none and it is imperative that workings should be shown so that some marks may be awarded where

appropriate for final incorrect figures. Common errors included the incorrect treatment of the impairment and the incorrect calculation of the depreciation of land and buildings.

- (b)** Nearly all candidates advised on which option to choose and many provided relevant comments which did justify their decision.

ACCOUNTING

<p>Paper 9706/41 A Level Financial Accounting</p>

There were too few candidates for a meaningful report to be produced.

ACCOUNTING

<p>Paper 9706/42 A Level Cost and Management Accounting</p>
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General comments

Overall performance was acceptable with question two being the best answered question.

Comments on specific questions

Question 1

- (a) The production budget was prepared to a high standard with many budgets being fully correct. Common errors included the complete omission of the budget for July and the omission of the opening inventory for April.
- (b) Most candidates made a reasonable attempt at the cash budget but there were relatively few fully correct extracts. Some candidates based their entries on sales rather than on production which had previously been calculated while some candidates' calculations of entries for trade payables and other costs were based on the production figures for an incorrect month.
- (c) The calculation of the change in overdraft for three months was not well answered with very few fully correct calculations. Most candidates did correctly account for the receipt in August, but few were able to account for the payments. Few candidates dealt with the order in isolation and few treated the overdraft on an incremental basis.
- (d) Nearly all candidates gave the required advice and most justified their answer by supporting it with some relevant comments. The comments were generally balanced giving reasons both for and against acceptance.

Question 2

- (a) Although some candidates were awarded the mark there were many responses which showed a lack of understanding.
- (b) The selling price calculations were very well answered with a high number being fully correct. There were some calculation errors, some rounding errors and a few candidates included machine hours in the calculation.
- (c) This was less well answered with considerably fewer correct calculations. Relatively few candidates calculated the depreciation cost using the new cost driver correctly. Many candidates calculated revised selling prices but did not calculate the change in selling price for each product as was required.
- (d) Very few candidates explained the relationship at all with many just relating an increase in cost to a reduction in profit.
- (e) Nearly all candidates gave the required advice. Many provided a range of relevant comments with most commenting on the fall in direct materials cost and the effect on product B.

ACCOUNTING

<p>Paper 9706/43 A Level Cost and Management Accounting</p>
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General comments

Overall performance was good with question one being the best answered question.

Comments on specific questions

Question 1

- (a) The selling price calculation was very well answered with a high number of fully correct answers. A few candidates did not apply the mark-up correctly.
- (b) This calculation was also well answered but there were considerably fewer fully correct answers. Common errors included the miscalculation of direct materials and the incorrect application of the mark-up. A few candidates derived the new selling price but did not calculate the change in selling price as was required.
- (c) This calculation was also well answered. Some candidates did not calculate the direct labour correctly. A few candidates derived the new selling price and as in case of (b) did not calculate the change in selling price.
- (d) Most candidates provided the required advice, and many justified their answer with some appropriate comments. Performance was generally acceptable with most candidates considering both options to justify their decision.
- (e) Nearly all candidates were able to provide one reason with some being able to suggest a relevant second reason.

Question 2

- (a) (i) A high number of candidates calculated the actual selling price correctly, but a few deducted the variance from the standard selling price.
- (ii) This was not so well answered with relatively few correct calculations. Most candidates derived the standard contribution, but few carried the calculation through to arrive at the selling price which would have given this contribution.
- (iii) Many candidates calculated the quantity of direct materials correctly, but only a few added the variance to the standard quantity of direct materials.
- (iv) There were many correct calculations, but a few candidates added the variance to the standard price.
- (v) There were some correct calculations, but some candidates calculated the total actual hours and then did not convert this total to hours per unit as was required.
- (b) Some candidates named the correct budget but there was also a range of different incorrect budgets named.
- (c) Although few candidates gave four reasons, a high number did provide at least two valid reasons.

- (d) This was reasonably well answered with nearly all candidates giving the required advice and then many justifying their decision with a range of appropriate well-balanced comments.