

ACCOUNTING

Paper 0452/12
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	13	C	25	C
2	A	14	D	26	A
3	A	15	B	27	B
4	A	16	C	28	C
5	B	17	B	29	D
6	A	18	D	30	B
7	D	19	B	31	B
8	B	20	A	32	C
9	D	21	D	33	D
10	B	22	D	34	D
11	B	23	A	35	C
12	C	24	B		

General comments

Many candidates possessed a good understanding of the topics covered in this paper and were able to select the correct key to many items on the paper.

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 the task which would be performed by an accountant. The correct answer was **C**. Most candidates answered correctly.

Question 8

This question asked why a trial balance is prepared. The correct answer was **B**. Most candidates found this question straightforward and selected the correct option.

Question 9

Candidates were asked to select the group of account balances which would appear on the credit side of a trial balance. The correct answer was **D**. Most candidates answered correctly.

Question 12

This question covered the topic of suspense accounts. Candidates were required to identify the opening entry in the suspense account. The correct answer was **C**. Most candidates identified that the opening entry was \$140, but some incorrectly thought that this entry would be on the debit side.

Question 13

This question required candidates to calculate the cash book balance and identify whether this balance was a debit or credit balance. The correct answer was **C**. The correct calculation was:
 $-1460 + 255 - 385 = -1590$. Most candidates answered correctly. However, some candidates found this question challenging.

Question 17

This question required candidates to calculate the accumulated depreciation on two vans. The calculation for van 1 was $\$12\,000 \times 10\% \times 2 \text{ years} = \2400 , and for van 2, $\$24\,000 \times 10\% \times 9/12 = \1800 . So, the total accumulated depreciation was \$4200. The correct answer was **B**. Some candidates incorrectly included depreciation on the van which was sold.

Question 19

Candidates were required to calculate the change in the provision for doubtful debts. The provision at the end of year 1 was $(5\% \times \$4800 =) \240 , and the provision at the end of year 2 was $(6\% \times 7500 =) \$450$. So, the increase of $(\$450 - \$240 =) \$210$ was charged (i.e., debited) to the income statement in year 2. The correct answer was **B**. Although there were many correct responses, some candidates found this question challenging.

Question 21

This question asked candidates to identify a disadvantage of running a business as a sole trader. The correct answer was **D**. Most candidates found this question straightforward and selected the correct option.

Question 22

Candidates were required to identify what is shown in the capital and liabilities section of a statement of financial position. The correct answer was **D**. The resources of the business are either provided by the owner of the business or are financed by liabilities. Although there were many correct responses, some candidates found this question challenging. In particular, some candidates thought that amounts owed to the business would be included in capital and liabilities.

Question 24

Candidates were required to select the statement which was correct. The correct answer was **B**. There were many correct answers. However, some candidates thought that the balance on the partner's capital account would be affected by profit and drawings.

Question 28

This question required candidates to select the correct statement about work-in-progress. The correct answer was **C**. Although there were many correct responses, some candidates found this question challenging.

Question 35

This question covered the principle of realisation. The correct answer was **C**. There were many correct answers, but some candidates thought that the income from the sale of goods would not be recognised until a cheque was received.

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Paper 22

Key messages

Candidates should have a thorough understanding of all the topics on the syllabus in order to achieve a good grade. It is also important that candidates are able to apply their knowledge of the subject to various scenarios and provide appropriate comments. Working through past examination papers and questions in relevant textbooks should prove useful in preparing for the examination.

It is important to read through each question carefully before attempting an answer to ensure an understanding of exactly what the question requires.

Candidates should ensure their handwriting is legible. All words and figures must be clear and easy to read.

Where a candidate requires additional space to complete or repeat an answer, it is important that they indicate where that additional work can be found. This ensures that such work is not overlooked when the script is marked.

General comments

As all the questions on the paper are compulsory it is essential that candidates are familiar with, and have an understanding of, every topic on the syllabus. A good understanding of double entry bookkeeping is essential as it forms the basis of all the day-to-day records of a business.

Candidates are reminded of the importance of using correct terminology within ledger accounts and within financial statements.

As usual, the paper included three five-mark questions which required candidates to discuss a given scenario, providing points for and against and recommending a course of action. Candidates are advised to plan their answer carefully before writing it out, as this gives them the opportunity to arrange the points in a logical order and include a clear recommendation.

Comments on specific questions

Question 1

(a) Candidates were required to record credit purchases in a purchases journal. This should have been a straightforward question.

Common errors included:

- Omission of dates
- Not deducting trade discount where appropriate
- Inclusion of purchases made by bank transfer
- Incorrect labelling of the total of the journal.

(b) This required candidates to write up a purchases returns journal. Once again, dates were often omitted and the total was incorrectly labelled.

- (c) A purchases account had to be prepared. It should have been a straightforward question, but it appeared to be unfamiliar to many candidates.

Common errors included:

- Inserting the total of the purchase ledger accounts, rather than the total of the purchases to date
- Entering the individual purchases during the month, rather than the total of the purchases journal
- Omission of cash purchases
- Inclusion of purchase returns.

- (d) Candidates were required to prepare a purchases ledger control account. Some candidates appeared to be more familiar with this account and were able to earn at least half of the available marks.

Common errors included:

- Omission of the opening balance
- Inclusion of extraneous items such as the total of the purchases account, purchases made by bank transfer and trade discount
- Itemising individual purchases and payments, rather than totals.

- (e) Advice had to be given to a trader on whether she should finance an advertising campaign by extending the trade payables period. Many candidates were able to provide acceptable answers and earned three or four marks. Most candidates recognised that this could result in increased sales, but the relationship with suppliers may be damaged. Some candidates offered additional comments about losing out on cash discounts, being charged interest on late payments and the possibility of the campaign being unsuccessful.

Question 2

- (a) Using a trial balance and additional information, candidates were required to prepare an income statement for a trading business. This was generally well-attempted and many candidates were able to earn high marks.

Some errors occurring regularly included:

- Omission or incorrect treatment of sales returns
- Inadequate or missing labels for items such as cost of sales, gross profit and profit for the year
- Rental income incorrectly added to sales or deducted from the expenses
- Incorrect adjustments for the accruals and prepayments
- Incorrect calculation and label of the depreciation of fixtures and fittings.

- (b) The current liabilities section of a statement of financial position had to be prepared. Most candidates correctly included the trade payables, but did not adjust the bank overdraft for the bank charges. The accrued expenses were often omitted or were incorrectly labelled. Rental income prepaid was often omitted, incorrectly added to the other payables, or incorrectly labelled.

- (c) Candidates were required to name two accounting principles which had been applied when items had not been included in the statement of financial position. Historic cost was a common incorrect response to both sections.

- (d) Advice had to be given to a trader on whether to refurbish his shop. Many candidates were able to provide acceptable answers and earned three or four marks. Many candidates concentrated on the possible increase in sales and/or profit and how this project would be financed. Other benefits, such as ability to increase prices, increase the rent charged to the tenant and possible improved working conditions were seldom mentioned. Many candidates mentioned the possibility of an increase in expenses, but did not provide a reason – often implying that the cost of refurbishment was revenue expenditure. The majority of responses did not recognise that the shop was rented; therefore, answers did not question spending a large amount of money on rented premises.

Question 3

- (a) Correcting journal entries is a topic with which candidates are familiar and many answers earned good marks. Some responses did not acknowledge that the details column should show the exact name of the ledger account in which the entry will be made. Some candidates found errors three and five somewhat problematic.
- (b) A table had to be completed to indicate the effect of each error on the profit for the year and on the bank balance. Many candidates found this question challenging. Answers did not show full understanding of the impact of the errors on the financial statements. This is a topic where candidates would have benefitted from further study.
- (c) Candidates were required to calculate the trial balance total after the correction of the five errors. This proved to be a very difficult question and only a few responses earned marks. It was expected that candidates would provide an arithmetical calculation, starting with the trial balance total of \$97 400 and adjust this for the two errors (Numbers 3 and 5). Many tried to make adjustments for all the errors and many completely omitted the figure of 97 400. This is also a topic where candidates would have benefitted from further study.
- (d) Candidates were required to identify an error of principle and an error of original entry from the list of errors provided earlier in the question. There were many correct responses.

Question 4

- (a) Using information provided, candidates were required to calculate six accounting ratios. This was a topic with which many candidates were familiar and good marks were obtained.

Common errors included:

- Incorrect calculation of the gross profit for the first ratio
- Incorrect calculation of the liquid assets for the last ratio
- Answers not provided correct to two decimal places
- Incorrect presentation of answers e.g., omission of percentage sign, omission of 'days'
- Omission of workings (which made it difficult to check if correct figures were used in the calculation).

- (b) An explanation was required of how a low profit margin may be linked to an increased trade receivables turnover. This proved to be very challenging for candidates. Many answers concentrated on liquidity and many responses incorrectly indicated that the amount due from trade receivables would not be included in the figure of sales for the year. A few answers correctly suggested that the increase in trade receivables turnover may result in an increase in irrecoverable debts and/or an increase in a provision for irrecoverable debts which would reduce the profit margin. Very few candidates considered the effect on the profit margin of the knock-on effect of an increase in the trade receivables turnover, which results in the business taking longer to pay trade payables. This can result not earning cash discount and being charged interest by trade payables, both of which reduce the profit margin.
- (c) Advice had to be given to a trader on whether to introduce additional capital into the business in order to reduce the bank overdraft. Many candidates were able to provide acceptable answers. Many responses appreciated that no bank interest would be payable and the relationship with the bank may improve. Most also understood that the trader would have more funds at risk. Very few answers mentioned the effect on the return on capital employed and that capital is not usually used for short term finance.

Question 5

- (a) Using data provided about the assets and liabilities of a piano club, candidates were required to calculate the opening accumulated fund. There were some wholly correct answers.

Common errors included:

- Incorrect classification of the subscriptions prepaid and accrued
- Incorrect classification of the expenses prepaid and accrued

- Incorrectly using the year-end figures or the difference between the opening and closing figures.

(b) Candidates were required to prepare a subscriptions account. Those candidates who had a good knowledge of double entry were able to earn most of the available marks.

Common errors included:

- Omission of dates or incorrect dates
- Incorrect details such as income statement instead of income, and expenditure and receipts and payments instead of bank.

(c) Candidates were required to prepare the rent and insurance account of a club. A good knowledge of double entry was again required in order to earn good marks.

Common errors included:

- Inclusion of extraneous items
- Omission of dates or incorrect dates
- Incorrect details such as income statement instead of income, and expenditure and receipts and payments instead of bank
- reversal of opening balances.

(d) Using data provided, candidates were required to prepare the income statement of a club coffee shop. The main problem for many candidates was the calculation of the purchases. Sometimes this figure was omitted totally, or the total paid was included with no adjustment being made for the opening and closing balances.

Other errors included:

- Incorrect details such as 'surplus' or 'profit'
- Inappropriate abbreviations such as 'COS' and 'Inv.'
- Inclusion of extraneous items such as rent and subscriptions.