

# ACCOUNTING

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<b>Paper 9706/01</b>
<b>Multiple Choice (Core)</b>

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

7500 candidates sat this examination and 70% scored half-marks or better. This can be regarded as a pleasing result, and the statistics indicate an average mark of 18 (maximum 30 marks) and a standard deviation of 5 marks.

The first few questions dealing with common book-keeping situations proved straightforward, and similarly with **Questions 11, 13, 18, 22, 24, 26** and **28**. All of these questions tested basic accounting principles and situations, and used uncomplicated figures with not too many calculations needed to reach the answers.

The questions attaining low scores were new questions and included:

**Question 5** – the capitalisation of development costs represents the matching of capital expenditure, such as the development costs of a patent, with the income generated over its estimated useful life.

**Question 9** – the correcting entry requires two accounts to be adjusted by the same amount, the suspense account and the purchases ledger control account.

**Question 16** – candidates wrongly deducted credit balances of \$2800 to show the net debtors of \$222 200. The correct approach is to disclose the gross debtors, \$225 000 plus \$3200 = \$ 228 200.

**Question 19** – the method to reach the sales figure is to calculate the expenses (\$800k less \$200k plus \$400k = \$1000 000,) and gross it up by 100/80 to get \$1250 000.

As part of CIE's continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner's Reports.

<b>Question Paper</b>	<b>Mark Scheme</b>	<b>Principal Examiner's Report</b>
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

**Who can I contact for further information on these changes?**

Please direct any questions about this to CIE's Customer Services team at: [international@cie.org.uk](mailto:international@cie.org.uk)

# ACCOUNTING

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Paper 9706/21

Structured Questions

## General comments

Well-prepared candidates scored well, especially on **Questions 1** and **3**, but **Question 2** proved to be a good discriminator.

There appeared to be no problem with the time available.

## Comments on specific questions

### Question 1

(a) Generally well answered and good marks achieved. The main errors were:

- Running balance figures used instead of Debit/Credit columns
- Discount Received omitted in calculation of Purchases
- Depreciation omitted
- No workings shown for Sales or Purchases – there were 7 marks available here
- Sales commission used as a component of Sales
- No adjustments for Sales or Purchases.
- Candidates should be encouraged to add income **immediately** after Gross Profit, not as an adjustment to Net Profit.

(b) Usually well done, often with full marks. Common errors were:

- Bank balance in Current Liabilities.
- Use of Balance figure for Drawings
- Use of a balancing figure for Capital. Full marks were awarded if the rest of the Balance Sheet was correct, otherwise a candidate could lose 3 marks. Those who showed workings for Capital gained appropriate marks (up to 4).

(c) The question asked for comparison between 2 years, which was not possible unless ratios were calculated for both years. This part of the question acted as a discriminator.

Answers were required taken to 2 decimal places – this expression has been used in almost every examination paper over the past 20 years, but many candidates either do not understand the meaning of this or do not read the question.

Candidates are not always taught the correct suffixes; for example figures on their own are not acceptable when accounting ratios are asked for, they must be followed by :1 or % or **times**. Ratios should never be reversed, for example, **1:2.4** is wrong.

In **(c)(iii)** no marks were given for repeating in words the figures which had been calculated in **(i)** and **(ii)**. It had to be made clear that the situation was improving or deteriorating.

### Question 2

A (a) Generally high marks achieved here.

(b) General lack of knowledge of book-keeping. Figures alone gained no marks – had to have correct narrative.

- B (a)** Most candidates gained full marks, but a minority used the word “profit” where “gross profit” was expected.
- (b)** Over all scores were low – this part of the question discriminated well between the better candidates and the less able. Candidates frequently added when they should have deducted, and a minority attempted a trading account, despite having been asked to begin with the figure of \$72 200. Adjustments were necessary but were often ignored.

**Question 3**

- (a)** Nearly all candidates gained full marks.
- (b)** Most candidates combined the day and night shifts. Beginning their calculations with a Sales figure of \$15 000 000, Sales and Direct Materials were usually correct but candidates failed to adjust Variable Overheads and Direct Labour in line with all of the information given. Some candidates tried to calculate the extra shift on its own but did not realise that the increase in Fixed Costs was an overall increase and had to be taken in context with production as a whole. Most gained at least half marks.
- (c)** Not well done, with many candidates assuming that the same workers were working on both shifts.

# ACCOUNTING

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Paper 9706/22

Structured Questions

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## Comments on specific questions

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- B (a)** Most candidates gained full marks, but a minority used the word “profit” where “gross profit” was expected.
- (b)** Over all scores were low – this part of the question discriminated well between the better candidates and the less able. Candidates frequently added when they should have deducted, and a minority attempted a Trading account, despite having been asked to begin with the figure of \$72 200. Adjustments were necessary but were often ignored.

**Question 3**

- (a)** All three parts were generally well answered, though the concept of “Margin of Safety” was not always understood.
- (b)** Usually well done up to and including the figures for contribution. Thereafter many included three separate figures for Fixed Costs, which shows a lack of understanding of the term.
- (c)** Not well answered – most candidates referred to implications for the business or the customers, not specifically for the Community.

# ACCOUNTING

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Paper 9706/03

Multiple Choice (Supplement)

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

4600 candidates sat this Paper and 60% of them scored 16 marks or better (30 marks maximum), but only 40% of candidates scored 19 marks or better indicating some bunching in the middle range of marks. It is always important to score the few extra marks needed for a good result. The average mark was 17 and the standard deviation 5.2.

Few of the questions proved very easy, but **Questions 11, 15, 17, 19, 23, 28** and **30** provided high scores, and it was pleasing to see some management accounting questions giving above average results.

Questions obtaining low scores were:

**Question 3** – the capital redemption reserve fund (CRRF) has only one use, namely to issue bonus shares. In the minds of candidates the CRRF was perhaps confused with the share premium account.

**Question 9** – dates were the problem here. Many candidates did not realise that at the end of the financial year, part of the long-term loan becomes payable within the next 12 months and thus is a current liability.

**Question 12** – candidates did not take into account that the closing stock was given at selling price. Thus the total gross profit of \$100 000 needs to be allocated by 10/11 to find the gross profit for the year.

**Question 13** – revenue is usually recognised when title passes and not necessarily when payment is received.

**Question 21** – understandably A and D were not common choices. Fixed budgets can give employees something to aim for, whereas fixed budgets need to be flexed to take account of the level of activity before sensible variances can be calculated.

**Question 27** – 1.5 kg of material does cost \$15, but 0.5 kg of the material is wasted and can be sold as scrap for \$1, so the real cost of the material used in the product reduces to \$14.



# ACCOUNTING

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Paper 9706/04

Problem Solving (Supplement)

## General comments

Pleasingly, candidates' responses continue to improve and there is clear evidence that candidates are better prepared for the rigours of an advanced level examination. Most candidates scored reasonable marks on all questions with better prepared candidates being able to achieve high marks.

None of the questions stood out as being particularly easy or difficult.

Many candidates still fail to show adequate workings and this always results in the candidate forfeiting part marks when the total used in an answer is not exactly as that shown in the marks scheme. This was most evident in the share capital and reserves section of **Question 1**. Retained earnings of \$444 000 scored the maximum 8 marks. Any other amount had to be supported by workings to score any component marks. Lack of workings prevented Examiners from awarding marks for any figure other than \$444 000; unfortunately this was far too common an occurrence.

Layouts were in the main very good and conformed to the standards insisted upon by teachers and Examiners. They were generally neat and quite easy for the Examiner to follow.

It was pleasing to see that most candidates did not scribble out alterations but crossed them out neatly replacing the incorrect figure (or word) with a corrected figure (or word). Those candidates that did not use this technique were in danger of losing a mark (or more) because the Examiner could not read the alteration.

## **Comments on specific questions**

### **Question 1**

The question provided a good spread of marks.

(a) In the main there were some very good answers. Many were laid out using a good accurate format. However, some candidates misread the question and only produced an appropriation account rather than the profit and loss account and an appropriation account as required by the question. Most candidates scored in excess of 5 marks. In less good answers the most common errors were to omit the bad debt recovered or to treat it as a bad debt written off. Many candidates added \$200 000 to the value of the premises even though the question said that the value shown in the balance sheet already included the revaluation. This meant that many candidates calculated the extra depreciation at \$14 000. A significant number of candidates used debenture interest of \$50 000 rather than the correct figure of \$15 000. Many candidates included the bonus issue, goodwill and the revaluation of premises as part of the profit appropriations.

(b) Very few candidates correctly described the premises at valuation most simply referred to premises whilst a significant number stated at cost.

Many candidates used \$700 000 as the value of the premises and many used the incorrect depreciation figure. Those that had used \$14 000 in the profit and loss account and as the aggregate depreciation were rewarded for using the same figure consistently. The majority of candidates included goodwill as an intangible fixed asset despite it being inherent goodwill.

Many candidates used incorrect figures for both current assets and current liabilities. Many adjusted the current assets to include the bad debt recovered. Many included taxation and dividends as creditors even though the question stated creditors and accruals. Many candidates used \$350 000 as the starting point for the ordinary share capital calculation. This amount, which

included the premium on the shares, meant also that the increase caused by the bonus issue was also miscalculated.

The bonus issue was deducted from either the share premium account or the revaluation reserve correctly by most candidates. Those candidates that had used \$70 000 as the bonus issue in their share capital calculation were rewarded positively if the same figure was used as a deduction in either of the capital reserve.

- (c) The majority of candidates scored marks for the formulae required in this part of the question. However, many candidates were unable to select the appropriate figure from part (a) of their answer. Another common fault was to use an incorrect description to the ratio e.g. dividend per share was often shown as a percentage and dividend yield as 4.9 cents.
- (d) There were many good answers to this part of the question. Many candidates answered well and gave more than the maximum points required for full marks. Most candidates were aware of the characteristics of debentures and of ordinary shares, and described them well and clearly. Better candidates calculated the return and yield that the two options would give and based their advice on these figures. Less good candidates were unable to calculate the number of shares that could be purchased for the \$10,000 (5882). Many stated that 20 000 shares could be purchased. Some candidates calculated the interest payable on the debentures at \$15,000. Surprisingly a significant number of candidates failed to give advice even after using a good, sound analytical approach.

## Question 2

- (a) There were many good answers. A wide variety of approaches were adopted by candidates. Many good candidates used a form of realisation account to determine the loss (or own figure profit) for both option 1 and option 2. This type of structured approach generally resulted in an accurate conclusion. Less good candidates took a less conventional approach which often seemed to lead them around in a confused mix of calculations which generally failed to reach a meaningful conclusion.
- (b) Most candidates gave appropriate advice based on their calculations in part (a). The main reason for the choice, as expected, was based on the financial aspects of each option. Better candidates discussed the social issues arising from the closure of the section. Many candidates highlighted the investment afforded by the managerial buy-out and the potential returns from both shares and debentures in the future.
- (c) The option 1 balance sheet was in the main well done; it was laid out well using a conventional layout and in the main was neat and easily read. Less good candidates often used incorrect fixed asset values. Some candidates included the debentures as short-term creditors. The main problem area proved to be the profit and loss balance. Better candidates adjusted the balance to take into account their loss (or own figure profit) calculated in part (a).
- (d) The option 2 balance sheet was also generally laid out well and neatly presented. The balance sheet proved to be a little more challenging than the option 1 balance sheet. Only the very best of candidates included the ordinary shares and debentures issued by the managers as assets for Fodlast plc. Surprisingly, many candidates regarded the ordinary shares as an asset but chose to ignore the debentures. The majority of candidates included these shares and debentures as part of the capital employed of Fodlast plc. This proved to be a good discriminator. Many candidates adjusted the profit and loss balance by \$73 000 (the closure and redundancy costs) rather than by their results from part (a).

## Question 3

- (a) Generally, the variances were calculated accurately. However, some careless candidates failed to indicate whether the variance calculated was adverse or favourable. This clearly cost one mark on each occasion. Less good candidates failed to flex the budgeted information.
- (b) The majority of candidates scored maximum marks. Most chose to produce a traditional contribution statement. A very small minority chose to adjust the actual contribution of \$67 900 using the variances calculated in (a). Although this was an equally valid approach it invariably contained errors, generally in the direction of the adjusting variances from part (a).

- (c)** Generally candidates gave good explanations of why the variances may have arisen. In some cases there was a lack of development of the stated reason. The cause of the variances was identified but not explained. Less good candidates often merely described what the variance showed or what they felt was the reason for variance analysis for example “the material price variance will tell us how much the materials cost.”
- (d)** There were some very good answers. Connections were explained clearly and accurately. Less good candidates focused on the variances in isolation without explaining any interconnections.