

ACCOUNTING

Paper 0452/12
Multiple Choice

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

General comments

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.

Many candidates possessed a good understanding of double-entry bookkeeping and were able to select the correct key to many items on the paper.

Comments on specific questions

Question 2

Candidates were required to use a list of assets and liabilities to calculate the owner's capital. The correct answer was **C**. Most candidates answered correctly.

Question 4

This question asked about the purpose of a cheque counterfoil. The correct answer was **C**. Although there were many correct responses, some candidates incorrectly thought that a cheque counterfoil is proof of payment.

Question 6

Candidates were required to calculate the amount which would be paid for goods once the appropriate discount had been deducted. Most candidates found this to be a straightforward calculation. The correct answer was **C**.

Question 8

This question covered correction of errors. Candidates were required to select the double entry to correct a stated error. The correct answer was **D**. Although there were many correct responses, some candidates found this question challenging.

Question 10

Candidates were asked to select the item which would be recorded when updating the cash book. The correct answer was **B**. Some candidates incorrectly thought that the bank statement balance would be recorded when updating the cash book.

Question 11

This question required candidates to calculate the bank statement balance. The correct answer was **C**. Most candidates correctly identified that the bank statement balance was \$2241 but some candidates incorrectly identified this as a debit balance.

Question 12

This question covered the topic of the sales ledger control account. Candidates were required to identify that preparing a sales ledger control account does not involve checking each entry in the trade receivables' accounts in the sales ledger. The correct answer was **A**.

Question 13

This question required candidates to calculate the corrected balance on a sales ledger control account. The \$2000 contra entry should have been credited to the sales ledger control account but was debited. So, the corrected balance is $\$10\,000 - \$2000 - \$2000 = \6000 . The correct answer was **A**.

Question 19

Candidates were required to identify which two errors would cause gross profit to be overstated by \$600 and profit for the year to be understated by \$250. The correct answer was **B**. Although there were many correct responses, some candidates found this question challenging.

Question 20

This question required candidates to identify which business was not a service business. Most candidates found this question straightforward and selected the correct option. The correct answer was **B**.

Question 21

This question covered the topic of depreciation. Candidates were required to identify the reason for using the reducing balance method for charging depreciation on a particular non-current asset. The correct answer was **A**. The reducing balance method is typically used where most of the value of a non-current asset is used up in the earlier years of its life or where the non-current asset becomes out of date quickly due to technological change.

Question 22

Candidates were required to identify the correct statement about the statement of financial position. The correct answer was **D**. Most candidates found this question straightforward and selected the correct option.

Question 23

This question covered the taking of goods from the business by the owner. The required entry is to debit the drawings account and credit the purchases account. If this entry has not been made then purchases will be overstated and therefore profit will be understated. As profit will be understated and drawings will also be understated, there will be no overall effect on capital. The correct answer is **C**. Many candidates found this question challenging.

Question 24

Candidates were required to identify the advantages of forming a partnership. The correct answer was **D**. Most candidates found this question straightforward and answered correctly.

Question 28

This question required a calculation of the amount of subscriptions to be included in a particular income and expenditure account. The correct amount is $(9750 + 1250 + 1500 =) \$12\,500$ so the correct answer is **C**. A significant number of candidates deducted the amount of \$1100 from this figure, arriving at an incorrect answer of \$11 400.

Question 31

This question required a calculation which some candidates found challenging. The formula required was: opening capital + profit – drawings = closing capital. The profit figure of \$14 500 is arrived by adding closing capital to drawings, and deducting opening capital, i.e., $\$58\,000 + \$3500 - \$47\,000 = \$14\,500$. The correct answer is **D**.



ACCOUNTING

<p>Paper 0452/22 Paper 22</p>

Key messages

It is essential to have a thorough understanding of all the topics on the syllabus in order to achieve a good grade. In addition to recording financial information and preparing financial statements candidates must be able to apply their knowledge to various scenarios. Working through questions in textbooks should be supplemented by studying past examination papers.

Candidates are advised to read each question carefully before attempting an answer to ensure that they understand exactly what each question requires.

The handwriting on most scripts was very clear, but a few candidates submitted scripts which were very difficult to read. It is important that all words and figures are legible.

A few candidates required additional space in which to complete their answers. Some of these candidates did not indicate where the additional work could be found. To ensure that such additional work is not overlooked it is advisable to put a note informing the examiner where this can be located.

General comments

Double-entry book-keeping forms the basis of all the day-to-day records of a business so it is essential that candidates have a thorough knowledge of the principles of double entry.

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

The paper included three five mark questions which required candidates to discuss a given scenario, giving points for and against, and recommending a course of action. It is important that candidates study the scenario carefully to ensure that they understand what exactly is required. Candidates are advised to plan their answer carefully before writing it out. 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 prepare the three column cash book of a trader and to balance the book at the end of the month. There were many very good answers.

Common errors included:

- Incorrect details
- Incorrect calculation of the two items of discount received
- Incorrect entries for the contra item
- Bringing down a credit balance on the cash columns.

- (b) A table had to be completed to indicate whether three items would be used to update the cash book or would appear in the bank reconciliation statement. Most candidates earned two or three of the available marks.
- (c) This required candidates to discuss the advantages and disadvantages of a trader paying and receiving all large payments by bank transfer and paying small payments by petty cash. Many

candidates correctly discussed speed and security of using bank transfers and the fact that method of payment may not be acceptable to some customers/suppliers. A number of candidates incorrectly concentrated on the advantages of maintaining a petty cash book and the use of the imprest system. Most candidates provided a clear recommendation but others omitted this completely.

- (d) Candidates were required to state the meaning of two terms connected with banking. A large number of candidates earned both the available marks. Some answers were poor and often paraphrased the question e.g., 'bank charges are charges made by the bank' which did not earn a mark.

Question 2

- (a) (i) A journal entry to write off an irrecoverable debt had to be prepared. Many candidates earned full marks. Some did not earn the mark for the narrative as it was non-existent or incomplete.
- (ii) Two reasons for maintaining a provision for doubtful debts were required. Many candidates correctly suggested that it was to apply the principle of prudence. Some then went on to describe this in more detail instead of suggesting another reason for maintaining the provision. The application of the matching principle was also correctly suggested by many candidates.
- (b) Using data provided, candidates were required to prepare a sales ledger control account. Many candidates earned high marks.

Common errors included:

- Incorrect details
- Omission of the irrecoverable debt
- Omission of opening balance
- Inclusion of cash sales.

- (c) (i) Candidates were required to advise a trader whether or not to stop allowing cash discount. There were many good responses. Some candidates focused on one aspect only and so did not give a balanced answer and could not be awarded a recommendation mark. A number of candidates simply paraphrased the question without offering further expansion. On occasion unsubstantiated statements were made. For example 'the profit will increase' was not regarded as adequate as no reason was provided why this may occur.
- (ii) One other way of ensuring the trader was able to pay trade payables was required. Correct responses included reduce expenses, increase selling prices and obtain a bank overdraft or short term loan. Some candidates inappropriately suggested more long term measures such as long term loans and selling non-current assets, or made imprecise suggestions such as 'get a loan'.

Question 3

- (a) Using data provided candidates were required to prepare a subscriptions account. There were some very good answers which gained high marks. Other candidates did not seem to be familiar with this type of account.

Common errors included:

- Reversing of opening balances
- Reversing of closing balances
- Entries for amount received and transfer to income and expenditure account on the wrong side
- Incorrect dates or omission of dates
- Making a transfer to income statement rather than income and expenditure account.

- (b) A rent and insurance account had to be prepared. Once again, some candidates were able to earn goods marks but others found it quite difficult.

Common errors included:

- Inclusion of extraneous items
- Balances on the wrong side of the account
- Making a transfer to income statement rather than income and expenditure account
- Incorrect details such as 'paid in advance' for 'balance' and 'club rent' for 'bank'.

- (c) Candidates were required to calculate the purchases of the club's shop. This could be displayed in the form of a ledger account or an arithmetic calculation. There were many correct answers. A number of candidates treated the opening and closing balance of the trade payables incorrectly. Some included extraneous items such as opening and closing inventories.

- (d) The income statement for the club's shop had to be prepared. Most candidates appeared to be familiar with the format of an income statement and many were able to obtain good marks.

Common errors included:

- Inclusion of extraneous items
- Incorrect description of the shop profit for the year.

- (e) Candidates were required to state the meaning of two terms connected with clubs. A large number of candidates earned both the available marks. Some answers were poor and often paraphrased the question e.g., income and expenditure account shows the incomes and the expenditures' which did not earn a mark. Many incorrectly referred to the accumulated fund as capital or money accumulated in the club.

Question 4

- (a) An inventory account had to be prepared. Despite similar questions being asked in the past this proved challenging for the majority of candidates and there were very few wholly correct responses. The opening inventory was already shown as a debit balance brought down. This should have been transferred to the income statement. The closing inventory should have been transferred from the income statement to the debit of the inventory account. The account should then have been balanced with a balance being carried down from the credit to the debit to start the next financial year.

- (b) Most candidates managed to earn at least two of the available marks for preparing the capital account of a sole trader. A common error was to omit the profit for the year or show incorrect details for that item.

- (c) Using data provided candidates were required to prepare a statement of financial position of a sole trader. Most candidates made a reasonable attempt.

Common errors included:

- Omission of heading for the columns for the cost, provision for depreciation and book value of the non-current assets
- Omission of headings for the different sections
- Omission of sub-totals for the different sections
- Lack of detail for the capital section
- Items incorrectly classified.

- (d) Candidates were required to advise a trader whether or not she should purchase a delivery van. It was not uncommon for candidates to copy sections from the scenario without further explanation or expansion. Some candidates focused on either the advantages or the disadvantages and did not provide a balanced discussion.

- (e) Many candidates correctly explained that revenue receipts occurred as a result of the day-to-day trading activities. However some explanations were vague and some even referred to the document which may be given to acknowledge money received.

Question 5

- (a) A journal entry to correct an error was required. Some candidates earned full marks. Some found it difficult to provide a suitable narrative.
- (b) A suspense account had to be completed and the original difference on the trial balance inserted. Many candidates produced good answers.

Common errors included:

- Omission of error 3 involving two trade receivables
- Incorrect details, especially for the difference on the trial balance.

- (c) Candidates were required to complete two statements showing the calculation of the correct gross profit and correct profit for the year. This proved to be quite taxing for many candidates and there were only a few wholly correct responses.

In the first statement the original gross profit should have been adjusted for the errors 1, 2 and 3 items which affected the trading section of the income statement.

Common errors included:

- Omission of either the sales returns (\$3524) or the purchases (\$3524)
- Inclusion of extraneous items such as rent and capital
- No indication of whether items were to be added to or deducted from the original gross profit.

In the second statement the original profit for the year should have been adjusted for errors which affected the profit and loss section of the income statement. Many correctly made an adjustment for error 6, although some candidates used an incorrect figure. A few candidates included extraneous items such as capital.

The most common error was not adjusting the profit for the change in the gross profit. The difference between the original gross profit and the corrected gross profit should have been included in the calculation of the correct profit for the year.

- (d) Candidates were required to calculate the sales for the year using the gross margin of 40 per cent and the corrected gross profit calculated in **part (c)(i)**. Many candidates made the mistake of multiplying the corrected gross profit by 40 per cent instead of multiplying by 100/40.