



*For Performance Measurement*

**ADVANCED LEVEL**

**Accounting 6001/03**

**A Level November 2022**

**Examiner Report**

## **Introduction**

The report serves to provide feedback to all stakeholders involved in the learning and assessment of candidates as they prepare for examinations. Examiners' expectations, candidates' performance and common errors will be highlighted in the report.

## **General Comments**

There was a marked improvement in the overall performance of candidates in the 2022 examination. Candidates from many centres displayed a sound understanding of the accounting concepts that were tested by the items. Areas of concern relating to presentation of responses will be highlighted question by question.

## **Question by question analysis**

### **Question 1**

(a)(i) Most candidates performed well on this part item and examiners noted an improved presentation from many centres. Examiners expected candidates to clearly narrate cost of raw materials consumed of \$971 400 and prime cost of \$2 375 400, and tutors are encouraged to emphasise the clear description of these figures to their candidates as they teach.

The following observations were made regarding good and weak candidates:

*Good candidates were able to;*

- Record patent costs as direct costs,
- Adjust rent and rates correctly using \$20 000 accrued rent and \$4 000 prepaid rates to come up with \$232 000.
- Calculate and apportion depreciation for buildings and motor vehicles between factory and administration.
- Calculate the depreciation for loose tools as follows :

	\$
Opening inventory of loose tools	60 000
Add loose tools purchased	<u>54 600</u>
	114 600
Less closing inventory of loose tools	<u>53 600</u>
Depreciation for the year	<u>61 000</u>

- Come up with the correct manufacturing profit of \$360 000.

*Some weak candidates;*

- Recorded factory depreciation in the income statement. This is clearly a manufacturing overhead which must be fully charged to the manufacturing account unless instructed otherwise.
- Recorded \$13 200, a net figure for opening and closing inventory of work in progress without showing them separately. According to IAS 1 these figures must be shown separately.

(ii) Many candidates presented their responses as expected by the examiners. Strong candidates presented good responses which;

- Transferred the market value of goods produced from the manufacturing account into the income statement.
- Showed correct amounts of depreciation for buildings and motor vehicles.
- Recorded correct amount of interest on loan of \$6 400.
- Treated the amount of manufacturing profit correctly either as correct figure or own figure
- Calculated and recorded a correct amount of increase in unrealised profit as an expense.

(b) Most centres did well on this part item; however some candidates indicated the accounting treatment of the loss on manufacturing in the statement of financial position only instead of all the financial statements.

## **Question 2**

(a) This item on IAS 2 (Inventory valuation), was well responded to by most candidates. The item required candidates to adjust the value of inventory on 14 May to get the value at 30 April. Only strong candidates realised the need to use the margin – mark up relationship to convert all selling prices to cost prices, as was required for items (i), (ii),(v)and (vii). For example item (i) was to be adjusted from the selling price as follows;

100/125 multiply by \$102 240 to come up with a cost price of \$81 792.

Adjustments were to be effected by adding the following to the inventory available on 14 may 2020;

- \$81792 which were goods sold to customers after the 30<sup>th</sup> of April 2020,
- \$9600 goods returned to the supplier after the 30<sup>th</sup> of April 2020,

- \$1 400 of \$4 800 goods sent on a sale or return basis in April since they were yet to be sold.

Goods purchased, goods returned into the business and goods sold in April 2020 but still in the business on 14 May 2020 awaiting collection were to be deducted from \$393 400. Trade discount must be deducted from the list price to record the net figure in the books.

Weak candidates did not convert selling prices to cost prices. They also failed to adjust goods sent on sale or return basis, resulting in loss of marks.

Some candidates lost marks by;

- presenting journal entries instead of a statement showing additions to and deductions from the given inventory figure of \$393 400,
- adding figures which were supposed to be deducted and deducting those that were supposed to be added,
- presenting their work in the form of a ledger account ignoring the demands of the question to prepare a statement.

(b) Accurate responses were presented by most candidates on ordinary shares. Tutors are encouraged to guide candidates on characteristics of redeemable and irredeemable preference shares. Candidates must try by all means to respond in the positive and avoid negative statements. For example, some would write “Debentures **do not** receive dividends” instead of “Debentures receive a fixed rate of interest”.

### Question 3

(a) The item was drawn from Partnership accounting, testing the application of the following concepts on the admission of a new partner:

- revaluation of assets
- treatment of revaluation surplus
- goodwill adjustment
- adjustment of capital account after admission
- the statement of financial position after admission.

Performance varied from part question to part question as will be highlighted below.

(i) Strong candidates were able to prepare the revaluation account.

Weak candidates lost marks through;

- Labelling the revaluation account as realisation account
- Recording items on the wrong side of the revaluation account, i.e. debiting assets increasing in value and crediting assets decreasing in value,
- Including the newly admitted partner and using new profit sharing ratios in the profit sharing.
- Recording the revaluation surplus as a lump-sum figure without distributing it to the partners

The correct narration for the difference on the two sides of the revaluation account is capital and not profit. It must be distributed among old partners using the old profit sharing ratios and posted to the partners' capital accounts. Misheck got \$47200 and Rutendo got \$23600. Monica, the new partner is excluded from profit sharing.

Examiners accepted both presentations of the revaluation account where candidates would either;

- record the statement of financial position amount on the debit side and the revalued amount on the credit side **or**,
- record increase in value of assets on the credit side and decrease in value on the debit side.

(ii) Most candidates earned marks by completing the double entry recording the revaluation surplus in the partners' capital accounts using either the correct figure or their own figures. The item specified that goodwill was **Not** to be shown in the books and only strong candidates were able to show **goodwill adjustment** in the capital accounts. Examiners accepted both approaches where candidates either recorded shares of goodwill before the admission on the credit side and shares after the admission on the debit side **or** just showed the net amounts on either the debit or credit side depending on whether a partner gained or lost.

Weak candidates lost marks by narrating buildings brought in by Monica as bank or balance brought down in the capital account. Further marks were lost through closing partners' capital accounts through the bank as is done when the partnership is dissolving.

(iii) Examiners expected candidates to record new values for all assets that had changed in value, and maintain old values for those that did not change in the statement of financial position. Candidates who had closed their capital accounts using bank lost a mark for capital account balances.

(b)(i) Strong candidates clearly explained the term provision as "*profits written off or retained .....*" whilst weak candidates lost marks by explaining provisions as, "*money set aside.....*" Most candidates including those who failed to explain the terms, earned a mark for giving a correct example such as provision for depreciation, provision for doubtful debts, etc.

(ii) Most candidates were able to define and give correct examples of reserves. Examiners encourage both tutors and candidates to read International Accounting Standards (IAS) that define key terms as specified by the current syllabus.

(c) (i) The treatment of general donations was well articulated by most candidates. Poor responses stated that general donations are recorded to income statement or statement of financial position instead of Income and Expenditure account.

(ii) The treatment of specific donation proved to be a challenge to a number of candidates. Vague responses such as "*...they are recorded in the statement of financial position, they are not treated as income in the year of receipt*" featured most. Examiners expected specific responses such as, "*Specific donation is credited to the donation special fund account and*

*added to accumulated fund in the statement of financial position or it is recorded in the accumulated fund section of the statement of financial position”.*

#### **Question 4**

(a) (i) This part item required candidates to calculate annual incremental revenue resulting from the hiring of Ben. The first year’s incremental revenue is \$ 400 000, calculated as 10% of \$4 000 000. The current revenue becomes \$4 400 000 and the second year’s incremental revenue becomes \$840 000.

Marks were strictly awarded for correct responses and only strong candidates earned the marks. Some weak candidates calculated total revenue for the year but failed to deduct the original revenue to remain with incremental revenue only.

(ii) The part item was accessible to most candidates because it required them to add the given costs.

(iii) Those who lost marks in part (i) and (ii) earned own figure marks by deducting incremental costs from ‘their’ incremental revenues.

(iv) All candidates who discounted their net cash flows from part (iii) using correct discounting factors provided in the question earned marks. Some candidates ignored the provided discounting factors and went on to calculate theirs, some of which were incorrect, they lost marks.

(b) Most candidates gave correct decisions based on their calculations from part (a) (iv).

(c ) A correct definition for opportunity cost was pronounced by most candidates.

#### **Conclusion**

Tutors are encouraged to adequately prepare candidates for examination by covering all syllabus topics. Candidates are advised to show all workings and present responses as specified by the question. All accounts must show debit and credit sides or debit, credit and balance columns.