

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

JUNE 2004

PRINCIPLES OF ACCOUNTS

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PRINCIPLES OF ACCOUNTS

GENERAL PROFICIENCY JUNE 2004

GENERAL COMMENTS

This paper has two sections. Section I consists of three compulsory questions and Section II consists of four questions of which candidates are required to answer any two. All questions carry 20 marks each.

School Based Assessment is part of the requirement for the examination. In addition, there is an alternative paper to be done by private candidates in lieu of School Based Assessment. This report gives details of the candidates' performance on each question. In addition it provides feedback on the School Based Assessment as well as the alternative paper 3/2.

DETAILED COMMENTS - PAPER 02

Section I - Compulsory

Question 1

Candidates were required to:

- Arrange items in order of permanence
- Classify items into Real, Personal and Nominal accounts
- Calculate fixed and current assets
- Prepare journal entries to correct errors
- Prepare a Suspense account to reveal the original balance

Approximately forty per cent of the candidates who attempted this question scored 8 marks or more. The mean mark on this question was 7.87.

Strengths

Candidates showed the ability to:

- List assets in order of permanence
- Classify items into Real, Personal and Nominal accounts
- Calculate total fixed assets
- Post entries to the Suspense accounts

Weaknesses were shown in the following areas:

- Calculation of current assets
- The use of dates and the business name in the headings
- Correcting errors
- Proper format of the General Journal
- Determining the original difference as per Trial Balance on the Suspense account

Recommendations

Teachers should ensure that candidates:

1. Prepare the Suspense accounts to determine the original difference on the Trial Balance.
2. Correct errors with the Suspense account.
3. Write proper headings including the name of the business and date.
4. Read questions carefully and follow instructions given.
5. Know the correct format of the Journal.

Question 2

Candidates were required to:

- Prepare a Sales Ledger Control account
- Prepare a Purchases Ledger Control account
- Indicate why a Sales Ledger Control account can have both a debit and credit balance
- State benefits of Control accounts

About sixty per cent of the candidates who attempted this question scored between 9 and 11 marks out of a possible 20. About thirty per cent scored below 9, and about ten per cent had marks above 11. The mean mark on this question was 8.42.

Most of the marks were obtained in the part of the question which dealt with the Sales Ledger Control account.

The following general areas of weaknesses were noticeable in the candidates' work:

- Thorough heading of accounts was not maintained, i.e. name of the firm, name of the account and period of time under consideration.
- Dishonoured cheque was credited instead of debited in the Sales Ledger Control account.
- Many candidates did not know which entries go to the Sales Ledger Control account and which go to the Purchases Ledger Control account.
- The closing debit and credit balances were entered on the wrong sides of the Sales Ledger Control account.
- Purchases were entered on the debit side instead of the credit side of the Purchases Ledger Control account.
- There was uncertainty in treating with and differentiating between (a) returns inwards and returns outwards and (b) discounts allowed and discounts received, in the Sales and Purchases Ledger Control accounts.
- Failure to balance off the accounts properly, i.e. balance c/d and balance b/d.
- A few candidates treated the Sales Ledger Control account and Purchases Ledger Control account as one account.
- Most candidates did not know why a Sales Ledger Control account could have a credit balance.

Recommendations

1. Ensure that every unit of the syllabus is taught. Judging from the number of "No Responses", it is evident that in many instances 'Control accounts' was either not taught or not thoroughly revised.
2. Insist that candidates practise the use of Control accounts in the SBA projects.
3. Encourage candidates to read on the topics from different books. They can get a better understanding and appreciation of the topics when this is done.
4. Ensure that candidates work on past papers in preparation for their examination.

Question 3

This question tested the topic 'LEDGER' and required candidates to:

- Post transactions separately to divisions of the Ledger including Purchases, Sales and the General Ledger.
- Post all cash transactions to the business' bank account.
- Prepare a list of creditors at July 28, 2002.
- Prepare a list of debtors at July 28, 2002.
- Correctly balance any three (3) accounts.

Approximately eighty-one per cent of the candidates attempted this question. The mean mark on this question was 6.83. Those candidates who did not do well showed weaknesses in the following areas:

- Identifying the divisions of the Ledger
- Correctly naming the accounts in their appropriate divisions
- Posting correctly to accounts in the Purchases and Sales Ledgers
- Distinguishing between discounts allowed and discounts received
- Distinguishing between returns inwards and returns outwards
- Correctly treating cash transactions in respect to correct identification of particulars
- Correctly posting transactions; some candidates reversed the entries to the respective ledger accounts
- Correctly treating credit sales in the Sales Ledger
- Correctly treating credit purchases in the Purchases Ledger
- Correctly closing / balancing off accounts. Some candidates balanced the accounts by placing b/d to close the account and c/d as the closing balance
- Identifying discount allowed and treating it as a bad debt
- Recognising the significance of full settlement
- Treating the three Ledgers as accounts and posted to these
- Preparation of Journals for Ledgers

Part (b) (i) required candidates to prepare a list of creditors and (b) (ii) a list of debtors. Candidates who performed poorly in this section were unable to

- differentiate between debtors and creditors
- correctly list the creditors
- correctly list the debtors.

Part (c) required candidates to balance any three accounts. This part was generally well done, although some candidates showed the following weaknesses:

- (i) Used the brought down (b/d) to close the account and the carried down (c/d) to bring down the balance
- (ii) Inserted the c/d without completing the b/d

The candidates' overall performance was satisfactory. Fifty per cent (50%) scored in the range of 9 - 20. The remaining fifty per cent had scores in the range of 0 - 8 marks.

Twenty-four per cent of those in the 0 - 8 range scored between 0 - 2 marks. This seems to suggest that there is a basic weakness among candidates in understanding the Ledger and its divisions.

The level of mastery in this area was expected to be higher as it is required for the SBA. The general overall performance highlighted a basic weakness in an introductory topic in which each candidate should demonstrate proficiency. Teachers should take note since this area forms the basis for other areas.

Section II - Optional

Question 4

This question tested candidates' ability to:

- Prepare a payroll register.
- Calculate the amount payable to National Health Insurance Scheme and to give reasons why employees' hourly rates differ.

Forty-two per cent scored less than 8 marks. The mean mark on the question was 9.19. Candidates did not obtain full marks for the calculation of the various deductions given.

However, most candidates who were prepared scored above the average mark, with some obtaining perfect scores.

Strengths

- (a) The majority of candidates obtained high scores in the knowledge profile with many obtaining the maximum mark. In addition, results indicated that most candidates knew how to calculate gross wages and net wages.
- (b) Responses to this part indicated that candidates were able to give at least one correct reason for differences in rates.
- (c) Candidates scored marks for this part if the correct multiplier was used. Responses were fair.

Weaknesses

- (a) Some candidates calculated the overtime rate incorrectly and hence failed to arrive at the correct figure for gross pay. The majority of candidates had difficulties in calculating the correct figure for income tax. Candidates lost marks for not including union dues, and in addition, incorrect figures for other elements of deductions resulted in the wrong figure for income tax.
- (b) Candidates stated the total National Health Insurance figure obtained from the payroll register. This treatment clearly showed lack of correct interpretation of total National Health Insurance Scheme. In addition, candidates lost marks for using the incorrect multiplier.
- (c) A few candidates were not aware that P.A.Y.E. and tax were the same and hence did not include the figures in the given column. Some inserted an additional column for tax.

Conclusion

The overall performance was unsatisfactory since this question was based on one of the easiest topics in the syllabus. Results clearly indicated that there was a lack of knowledge of basic principles, namely calculating gross wages, income taxes and other deductions. A small number of candidates, who were prepared, performed well.

Recommendations

Candidates should be given more practice in calculating income taxes using various approaches.

In addition, more emphasis should be placed on explaining concepts clearly, such as National Health Insurance and other deductions to be determined from gross wages. This should be extended to practical cases used in a typical business.

Furthermore, most candidates lost marks due to rounded off figures to the nearest dollar. This practice must be discouraged and should be clearly communicated to candidates in the classroom.

Question 5

The question tested most of the objectives required for this area of the syllabus, namely Trading Account, Profit and Loss Account and the Balance Sheet. This question had a mean of 7.81.

It provided the necessary stimulus for the candidates to respond appropriately to the question which was very straightforward and in the format to which candidates are usually accustomed. Candidates were given a choice in that they could have chosen any format to present their answer and the mark scheme awarded them appropriately. The question was very popular among candidates.

Weaknesses

- Attention should be paid to the use of the correct format, e.g. Carriage Inwards added to Purchases and Returns Outwards subtracted to determine correct Net Purchases. Most candidates missed the mark awarded for Carriage Inwards added to Purchases
- Candidates did not know how to correctly treat Bad Debts, Provision for Bad Debts and Depreciation.

This was a popular question. Approximately 50 per cent of the candidates obtained a passing grade.

Question 6

This question was divided into two parts. In the first part, candidates were asked to:

- Prepare, from a summarized Receipts and Payments account and notes, a Subscription account.
- Identify the amount of subscription to be transferred to the Club's Income and Expenditure account.
- Calculate the amounts for telephone expenses and furniture repairs to be transferred to the Income and Expenditure account.
- State the amounts for Bank and Subscription as a current liability on the Club's Balance Sheet.
- Identify three other income items with their totals.

In the second part, the candidates were asked to:

- Post transactions to a Motor Vehicle account.
- Show the Provision for Depreciation account for two years using the Reducing Balance method and the entry for Motor Vehicles in the Balance Sheet for the second year.

This question was not popular. About ten per cent of the candidates attempted it and of these about eighty per cent received less than nine marks out of 20. The mean mark on this question was 4.34.

In the first part, candidates were unable to prepare properly the Subscription account. More emphasis and exposure should be given to candidates to show them how to prepare this account. Some of the candidates were unable to start the account with the correct figure for balance b/d and to close off the account with the correct figure for balance c/d. However, candidates were able to gain marks in calculating the correct amounts for telephone expenses, furniture repairs and stating the other income items.

Another weakness demonstrated by candidates was the inability to state correctly the amounts for subscription as a current liability and for bank on the Balance Sheet.

In the second part, of those who attempted to post entries in the Motor Vehicle account, some were able to record the correct word for the particulars / details column, yet too many used incorrect words such as 'purchases' and 'motor vehicle'. Again this is another area where more emphasis should be placed in writing up a fixed asset account. Another problem area in this section was the balancing off of both the Motor Vehicle and Provision for Depreciation accounts. In the Provision for Depreciation account the candidates again fell down, failing to record the correct words, 'Profit and Loss account', in the details column. In the last part of this question many candidates failed to include the depreciation for the period in the accumulated depreciation figure and in writing up the Balance Sheet extract. Candidates also prepared Balance Sheets for years one and two although only the extract for year two was required. The Motor Vehicle at cost in some cases was not stated.

Question 7

This was an optional question and fewer than twenty-five per cent of the candidates attempted it. The response to the question was fair, with a mean score of 9.8.

Candidates were presented with data in a jumbled form pertaining to a partnership and a company and were required to separate the data so that they could:

- (i) Prepare an Appropriation account for a partnership.
- (ii) Prepare an Appropriation account (Statement of Retained Earnings) for a company.
- (iii) Prepare the Current account of individual partners.
- (iv) List two advantages that a limited company has over a partnership type of business.

Unfortunately, in response to the request for identification of the information relating to a partnership as against a company, a number of candidates detailed the information using at least one page. No marks were allocated for this exercise as they were awarded only for the actual preparation of the accounts. It is recommended that candidates spend their time productively on activities for which marks are allocated.

Most candidates were able to deal competently with the Appropriation account of the partnership. However, some candidates appeared to be unfamiliar with the computation of the share of profit for the partners. A significant number of candidates also deducted interest on drawings from the net profit rather than adding to it. The partners' salaries and their interest on capital were, for the most part, treated correctly.

A large number of the candidates prepared the current accounts of the partners correctly. However, quite a few candidates failed to recognize that the partner, Cough, had an opening debit balance in his current account. This hindered them from obtaining maximum marks in this section.

In part (c), the candidates were required to prepare a Statement of Retained Earnings. Apparently, this requirement presented the greatest difficulty. Those candidates who revised and practised preparing the Appropriation account of a company scored heavily in this section, but some of the weaker candidates were unsure of what information should be included in the Statement of Retained Earnings. Some of those candidates had incorrectly included partners' salaries and interest on capital in the Statement. It seems quite evident that they experienced difficulty in handling the accounts relating to a company.

Another area of weakness was demonstrated in the last part of the question. Very few candidates scored any mark here. They were unable to give two advantages that a limited company has over a partnership type of business.