

**CARIBBEAN EXAMINATIONS COUNCIL**

**REPORT ON CANDIDATES' WORK IN THE  
CARIBBEAN SECONDARY EDUCATION CERTIFICATE  
JANUARY 2009**

**PRINCIPLES OF ACCOUNTS**

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**PRINCIPLES OF ACCOUNTS**  
**GENERAL PROFICIENCY EXAMINATION**  
**JANUARY 2009**

**GENERAL COMMENTS**

The Principles of Accounts examination is offered in June and January each year.

The examination consists of three papers

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 03/2	-	Alternative to SBA (Private Candidate)

**DETAILED COMMENTS**

**Paper 01 – Multiple Choice**

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus; Knowledge, Application, Interpretation. The performance of candidates on Paper 01 was fair.

The mean mark was 31.46 out of 60 compared to 37.21 in 2008 and 35.63 in 2007. Fifty-nine per cent of the candidates scored at least 50 per cent of the marks for this paper. No candidates scored the maximum of 60 marks

**Paper 02 – Problem Solving**

Paper 02 comprises two sections. Section I, the compulsory section, required candidates to answer three questions. Section II, the optional section, required candidates to answer two out of four questions.

The performance on Paper 02 showed improvement over January 2008, mainly due to the excellent performance on question 7. The mean mark for this paper was 41.17 out of 100 compared to 35.52 in 2008. Thirty-five per cent of candidates earned at least 50 per cent of the maximum mark on this paper.

**Paper 03/2**

Paper 03/2, the alternative to the School Based Assessment (SBA), is an examination offered to private candidates. The examination attempts to simulate the skills tested in the SBA. This is achieved by presenting the candidates with one or two cases or situations from which they are required to respond to questions.

The performance of candidates on Paper 03/ 02 this year showed a decline over the previous two years. The mean mark was 20.13 out of 40 marks compared to 24.52 in 2008 and 20.33 in 2007. Fifty-five per cent of candidates earned at least 50 per cent of the maximum available mark on this paper.

## **Paper 02 – Problem Solving**

### **Section I - Compulsory**

#### Question 1

This question tested the preparation of final accounts for a partnership, specifically the Profit and Loss and Appropriation Account and Current Accounts. There was a short theory section which required candidates to state the disadvantages of being a general partner in a partnership as well as to calculate the share of profit to each partner, in light of the Partnership Act of 1890.

Ninety-one per cent of candidates attempted the question, of which 36.19 per cent scored 50 per cent or more of the available marks. The mean mark on this question was 7.67 out of 20.

#### STRENGTHS

##### The Appropriation Account

- Almost all candidates calculated and treated interest on capital correctly.
- Several candidates calculated and treated correctly the interest on drawings.
- The residual profit was shared in the correct ratio by many candidates.

##### The Current Accounts

- Most candidates transferred the credit and debit entries correctly from the appropriation account to the current accounts.
- There was a notable increase in the number of candidates who treated the closing current account balances correctly.

#### WEAKNESSES

##### The Appropriation Account

- Some candidates added, instead of subtracted the interest on drawings to the net profit.

- The salary of \$1 000 per month to Wildman should have been calculated for the year as \$12 000. Many candidates ignored this calculation and recorded \$1 000.
- Some candidates omitted the name of the business in heading up the Appropriation Account
- Some candidates seemed not to have the know how to arrive at the ratio for sharing the residual profit.

### The Current Accounts

- Too many candidates neglected to record the opening balances. In the case where they were recorded, they were entered on the wrong side of the account.
- Although most candidates debited drawings in the current accounts, some candidates credited, instead of debited, the interest on drawings.

### Theory Section

- Very few candidates attempted this section. Most of those who did, showed ignorance of the term “general partner”, as well as the Partnership act 1890, which stipulates that no interest should be charged on drawings or paid on capital and that the profits would be shared equally.

## RECOMMENDATIONS

In discussing Partnership as a business organization, it is always a good idea to compare the advantages and disadvantages of a partnership with these of a sole trader. The comparison should also be expanded to other types of business organizations when those topics are taught.

The Partnership act of 1890 should be included in the general discussion when this topic is taught and examples used to illustrate how the Act is applied in the Appropriation Account.

Treating interest on drawings seems to be a weak area. Teachers should spend a little extra time explain and demonstrating how to calculate the interest particularly how to count the months for which interest is due. Student should be reminded that because interest on drawings is a charge to the partner, such interest will swell the new profit, therefore it should be added.

Generally there has been improvement in the preparation of the current accounts. However, candidates still seem to have trouble recognizing the difference between a credit and debit balance in the partners’ current accounts. Teachers need to focus on this area.

### Question 2

This question had three parts. Part (a) required candidates to demonstrate their knowledge of accounting principles by indicating whether certain statements were true or false. Part (b) tested candidates’ ability to record diverse types of journal entries including prepayments of an

expense, revenue earned but outstanding and provision for depreciation. Part (c) required the candidates to prepare a rates account which involved amounts prepaid for the period.

Ninety-nine per cent of candidates attempted the question, of which 10.73 per cent scored 50 per cent or more of marks. The mean mark on this question was 6.84 out of 20.

### STRENGTHS

- Many candidates demonstrated a fair understanding of the accounting principles tested, by responding correctly to the statements.
- Many candidates correctly adjusted the 'writing off' of bad debts in the journal

### WEAKNESSES

- Although at least two of the five required journal entries were fairly straight forward transactions, only the 'write off' of bad debts was well done. The other four transactions poorly done indicating that candidates do not understand the double entry principle of book keeping and therefore could not correctly record these transactions in journal form.

### RECOMMENDATIONS

Teachers may find it helpful to teach journal entries while they are teaching double entry accounting. For example, if an expense which involves prepayments or accruals is being taught and the transactions are shown in account format, the teacher could then show, at the same time, how this transaction would be recorded in the journal. Some students also find it helpful to record transactions using the ledger format first (since there are more familiar with that format) and then record the journal entry, being guided by the information in the ledger. This is a useful strategy when students are unsure about how to record a transaction in the journal.

Teachers need to explain why balances on expense or revenue accounts are to be debited or credited. For example, if students understand that an expense amount paid before is due is regarded as an asset, they are more likely to correctly debit that balance since they already know that assets have debit balances. Additionally, teachers need to assist students and give them practice in calculating the portion of an expense amount which has been paid in advance or is in fact outstanding.

### Question 3

This question tested candidates' ability to convert accounting information recorded in Single Entry Style to Double Entry Accounting. The question had three parts requiring candidates to prepare a Statement of Affairs, calculate Purchases and Sales for the year, and prepare a Trading and Profit and Loss Account for the year.

This is an area of the syllabus which is tested quite frequently with gradual improvement being shown in certain areas.

Eighty-six per cent of candidates attempted the question, of which 26.54 per cent scored 50 per cent or more of the available marks. The mean mark on this question was 7.40 out of 20.

#### STRENGTHS

- Most candidates did very well on part (a) of the question, they were able to correctly identify the assets and liabilities and arrive at a capital amount, though in some instances, the capital was incorrect because these candidates deducted the depreciation from the fixed asset.
- Several candidates recognized that the calculation of sales is related to the debtors account and the calculation of purchases is related to the creditors account. However, many candidates continue to have problems with the opening and closing balances of these accounts and as a result frequently do not arrive at the correct amounts for sales and purchases.
- The approach and format of the Trading and Profit and Loss Account in the majority of cases was correct.

#### WEAKNESSES

- A frequent mistake was the inclusion of the depreciation in the opening Statement of Affairs.
- Candidates failed to correctly treat adjustments to both the debtors and creditors accounts in part (b). The most frequent mistakes included recording entries on the wrong side of the accounts, using the wrong 'particulars' and confusing opening balances with closing balances.
- A number of candidates failed to recognize that inventory is stock and therefore did not include opening and closing inventories in the Trading account part (c).
- Some candidates failed to make the adjustments necessary to rent expense account and to include depreciation among the expenses.

#### RECOMMENDATIONS

Teachers are encouraged to acquaint themselves with the May/June 2008 revised syllabus which introduces new terminologies such as inventory (stock), accounts receivable (debtors) accounts payable (creditors) etcetera and to use these terms frequently even if the prescribed text does not use them.

Students should be reminded that depreciation is dealt with at the end of the accounting period, and not at the beginning and therefore would not be included in an opening Statement of affairs or Balance Sheet.

Students need to be given ample practice in using the Debtor and Creditors Accounts to arrive at missing sales and purchases.

## **Section II (Optional Section)**

### Question 4

This question required candidates to demonstrate their knowledge of the preparation of a Manufacturing Account. Part (a) of the question consisted of a simple manufacturing account which required candidates to show amounts for cost of material available for use, cost of material consumed, prime cost, factory overheads, and cost of production. Parts (b), (c) and (d) required the candidates to calculate unit cost of the items produced, revenue earned from the sale of the items and the trading profit made on the sale of the items.

This was a popular option, with 65 per cent of the candidates attempting the question of these 53.54 per cent scored 50 per cent or more of the available mark. The mean mark on this question was 10.39 out of 20.

#### STRENGTHS

- Most candidates were able to identify the various sections of the manufacturing account e.g. cost of material consumed, prime cost, etcetera even if the amount were incorrect.
- The formula for calculating the unit cost of the benches was most often correct
- The treatment of Work in Progress was very often correct
- Several candidates included Direct expenses in arriving at the prime cost
- Several candidates demonstrated their abilities in arriving at the sale revenue in part (c).

#### WEAKNESSES

- The adjustment of purchases with Returns outwards and carriage was often incorrectly done.
- Although the majority of candidates recognized direct expenses as an item of prime cost, far fewer candidates realized that factor wages was also an item of prime cost and therefore included it among the factor overheads.
- A large number of candidates were unable to calculate the profit in part (d)

#### RECOMMENDATIONS

Although manufacturing account is usually a popular topic and the majority of candidates usually do well on it, there are still areas which teachers need to pay attention

### Question 5

This question tested candidates' knowledge of Income and Expenditure Accounts. Candidates were required to copy and balance a Receipts and Payments Account, which was given. They were also required to use the additional information provided to prepare a Bar Trading Account, a Subscriptions Account, and then to prepare the Income and Expenditure Account for the year.

33 per cent of candidates attempted the question, of which 24.19 per cent scored 50 per cent or more of marks. The mean mark on this question was 6.45 out of 20.

### STRENGTHS

- Almost all candidates balanced the Receipts and Payments Account correctly.
- In preparing the Income and Expenditure Account, most candidates were able to distinguish between revenues and expenses, including rent of the clubhouse which most candidates treated correctly as revenue.

### WEAKNESSES

- Both the Bar Trading Account and the Subscriptions Account presented problems for several candidates. In the case of the Bar Trading Account, many candidates did not calculate purchases correctly, also wages to bar attendant was often not included in the account.
- Subscriptions Account presented the usual problems for candidates. Many candidates seemed unsure as to whether to debit or credit the account with amounts owing and amounts in advance.
- In addition to the errors which would naturally carry over from the Bar Trading Account and the Subscriptions Account to the Income and Expenditure Account, there were other additional mistakes. For example, several candidates transferred the bar takings, instead of the bar profit to the Income and Expenditure Account. Similarly, Subscriptions received, rather than the amount for the year was transferred to the account.
- Several candidates did not calculate an amount for depreciation.

### RECOMMENDATIONS

The 2008 revised syllabus emphasizes the importance of students having a lot of practice in the preparation of these various profit making accounts, such as bar trading, events (concerts, barbecues etcetera) also the preparation of the Subscriptions Account. When students are comfortable with the preparation of these accounts, then they should be reminded that only balances/profits and losses should be transferred to the Income and Expenditure Account.

### Question 6

This question presented candidates with the trial balance of a limited liability company and required them to prepare the Profit and Loss Appropriation Account and a Classified Balance Sheet in vertical style. There were two short questions on the meaning of negative working capital and ways of financing a business other than by issuing shares.

Sixteen per cent of candidates attempted the question, of which 15.57 per cent scored 50 per cent or more of marks. The mean mark on this question was 6.66 out of 20.

This question was generally not well done. Candidates demonstrated very little knowledge of Company Accounts.

## RECOMMENDATIONS

Candidates seemed ill-prepared for this topic of the syllabus. Teachers need to ensure that they cover the entire syllabus as any objective of the syllabus may be tested at any point in time.

### Question 7

This question tested Payroll Accounting. In part (a) candidates were presented with a time card of hours worked by four employees. They were given the rate of pay as well as the deductions to be made and were required to prepare the payroll on an answer sheet provided. Part (b) required candidates to provide brief definitions of terms associated with Payroll Accounting.

This was an extremely popular optional question. Seventy-eight per cent of candidates attempted the question, of which 81 per cent scored 50 per cent or more of the available marks. The mean mark on this question was 14.24 out of 20.

## STRENGTHS

- The majority of candidates who attempted this question seemed to have a good understanding of the subject matter, with most candidates showing familiarity with the various deductions.
- Candidates gave acceptable definitions for most of the terms.

## WEAKNESSES

Although this question was well done, for the most part, a few weak areas were observed.

- Some candidates had problems calculating overtime, or did not take the overtime into consideration at all.
- The calculation of income tax presented a challenge to some candidates.
- Some candidates had difficulty defining bonus and voluntary deductions.

## RECOMMENDATIONS

It was evident from the responses that many candidates were comfortable with this topic. Teachers should, however, work with students on those weak areas indicated, that is, calculation of overtime and income tax. Also revision of terms would be helpful.

### **PAPER 03/2 – Alternative to SBA**

Paper 03/2, the alternative paper to the School Based Assessment (SBA), is an examination offered to private candidates. The examination attempts to simulate the skills tested in the SBA. This is accomplished by presenting the candidates with one or two business cases or scenarios from which they are required to respond to questions.

This year, the paper presented one business case. The case required candidates to answer fourteen questions about the operations of the business, do some calculations including different ratios and carry out certain accounting functions such as preparing a Trading Account.

Candidates' performance on this paper over the past six examinations (January and June) have showed continuous improvement. This year, however, there was a decline in performance. The mean mark on this year's examination was 20.13 out of 40. Approximately 62 per cent of the candidates achieved Grade III or higher on this paper.

#### **RECOMMENDATIONS**

The CSEC Principles of Accounts Study Guide is now complete and available to teachers and students. The study guide is a valuable self-teaching manual which both 'in-school' students as well as private candidates will find extremely helpful. For teachers, it is an excellent tool for reinforcement and revision. The study guide was prepared in conjunction with the revised 2008 POA syllabus.

Another helpful tool in preparing for the Paper 03/2 is for candidates to acquaint themselves with the format of the examination. Instructors can guide them on the best approaches to use to respond to questions in an efficient way. Quite often candidates spend time providing extraneous information and hence do not complete the examination.