

CARIBBEAN EXAMINATIONS COUNCIL

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

JANUARY 2010

**PRINCIPLES OF ACCOUNTS
GENERAL PROFICIENCY EXAMINATION**

**Copyright © 2010 Caribbean Examinations Council ®
St. Michael Barbados
All rights reserved**

GENERAL COMMENTS

The Principles of Accounts (POA) 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 School Based Assessment (SBA)

In January 2010, 2,081 candidates wrote the examination. Of these, 46 per cent obtained Grades I–III. This represented a significant decline in the number of candidates attaining Grades I–III when compared with 2009 (54 per cent) and 2008 (58 per cent). The decline over the period 2009–2010 was largely due to a 5 per cent decline in Grades A–C on Paper 01 over that period.

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 mean mark was 30.66 out of 60 compared to 31.46 in 2009 and 37.21 in 2008. The performance of candidates on Paper 01 though fair represented a steady decline of about 7 per cent over the three year period 2008–2010. Fifty-four per cent of the candidates scored at least 50 per cent of the marks for this paper. No candidate scored the maximum of 60 marks.

Paper 02 – Problem Solving

Paper 02 comprised 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 was unsatisfactory, despite the excellent performance on Question 6. The mean mark for this paper was 38.84 out of 100 compared to 41.17 in 2009 and 35.52 in 2008. Twenty-five per cent of candidates earned at least 50 per cent of the maximum mark on this paper.

Paper 03/2 – Alternative to SBA

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 the 03/2 paper showed a significant decline (9 per cent) over the three year period 2008–2010. The mean mark was 15.48 out of 40 marks compared to 21.13 in 2009 and 24.52 in 2008. Thirty-two per cent of candidates earned at least 50 per cent of the maximum available marks on this paper.

Paper 02 – Problem Solving

Section I – Compulsory

Question 1

This question consisted of two parts. Part (a) tested candidates' ability to prepare a Trial Balance from a list of balances. Part (b) required the candidates to post four entries from the Sales Day Book to the appropriate ledgers.

Ninety-nine per cent of candidates attempted the question, of which 40.23 per cent scored 50 per cent or more of the available marks. The mean mark on this question was 9.28 out of 20.

Strengths

Part (a) of the question was more competently answered than Part (b). Most candidates demonstrated knowledge of how to do a Trial Balance although a few candidates ignored the instructions and prepared either an Income Statement or a Balance Sheet.

Some competence was demonstrated in posting the Personal Accounts to the Sales Ledger, though many candidates either did not label the ledger, or labelled it incorrectly.

Weaknesses

There was the usual confusion about which item to debit and which to credit in the Trial Balance. Items to be credited seemed to present more of a challenge.

Although several candidates posted the Personal Accounts correctly, very few posted the Total Sales correctly. Even when this was done correctly, it was posted in the same ledger as the Personal Accounts instead of in the General Ledger. Additionally, many candidates posted the items individually in the Sales Account, instead of posting the total only.

Recommendations

In order for students to develop competence in preparing a Trial Balance, they must first be very comfortable with classifying accounts as assets, liabilities, incomes, expenditures and capital. They should then, with ease, determine whether the account has a debit or credit balance. This comes with practice and a great deal of repetition in the early stages of learning the subject.

The use of flash cards can be very helpful for these repetitive exercises. Students tend to find this a fun activity while it allows them to recognize accounts and determine their balances.

If subsidiary ledgers are taught at the same time as day books, students tend to better understand the use of the Sales and Purchases Ledgers as separate from the General Ledger. When the books and ledgers are taught in isolation, some amount of confusion is created.

If teachers wait until they teach Control Accounts to introduce subsidiary ledgers, then it is too late for the students to make the connection. Additionally, when posting from the day books

to the subsidiary ledger, teachers should post the totals of the day book at the same time, and it should be pointed out that the posting of the total is in the General Ledger and not the same ledger as the debtors (creditors). Labelling the ledgers may help.

Question 2

This question comprised two parts. Part (a) required candidates to write up a three-column Cash Book from a set of transactions. Candidates were to balance the Cash Book and to determine the significance of the overdrawn bank balance at close. Part (b) required candidates to write up the appropriate day book from a set of credit purchase transactions. The matter of trade discounts and cash discount had to be dealt with appropriately.

Ninety-eight per cent of candidates attempted the question of which 44.84 per cent scored 50 per cent or more of the available marks. The mean mark on this question was 9.49 out of 20.

Strengths

Part (a): Many candidates demonstrated a fair understanding of how to write up a three-column Cash Book. Discount columns and the simple calculation of cash discounts were generally dealt with appropriately. Those candidates who balanced the cash book correctly recognized that the bank balance was an overdraft and were able to explain what an overdrawn amount means.

Part (b): Most candidates correctly calculated the gross amounts of the purchases.

Weaknesses

Part (a): Most candidates had difficulty calculating the correct discount amount for May 26. This was because of how the transaction was worded. Unlike May 17 where they were told how much was outstanding and to calculate the discount on the whole amount, the transaction on May 26 required the candidates to determine what the discount amount was *after* it was already deducted. The amount of \$2,940 paid to Quashie therefore represented 98 per cent since the discount taken was 2 per cent. Most candidates calculated 2 per cent of \$2,940 instead of 2 per cent of \$3 000 (100 per cent).

Another area of weakness was the transaction of May 29 where the proprietor purchased a car for his personal use. Many candidates did not recognize this as drawings.

Part (b): Although most candidates recognized that the day book to be used was the Purchases Book, not many candidates wrote up the book properly, transferring the total to the Purchases Account.

Several candidates did not subtract out the trade discount before recording the amount in the Purchases Book. Consequently the total purchase was incorrect. Also, when they calculated the 3 per cent cash discount for L. J. Enterprises, it was calculated on the gross amount instead of on the net amount.

Recommendations

The matter of calculating cash discount allowed or received after it has been deducted frequently presents a challenge for students. Students should be reminded that if the discount has already been deducted, then the money being paid or received represents 100 per cent minus the percentage discount. For example, if the amount being paid is \$3,800 after a 5 per cent discount has been taken, then \$3 800 represents 100 per cent minus 5 per cent (95 per cent). To find how much 100 per cent represents, we must divide \$3,800 by 95 and then multiply by 100. This is \$4,000. The 5 per cent discount must therefore be calculated on \$4,000. Exercises of this nature should be practiced several times until students get it and can therefore make the distinction between when the discount should be calculated on the amount given, and when they have to find the amount on which the discount is to be calculated.

When a proprietor uses cash or other assets for his personal use, this must be treated as drawings and that account title must be used.

The fact that most teachers complete the teaching of day books in the first year of the POA course, suggests that revision of this activity could be done in the final year. Also, if the SBA is approached in a meaningful way, this in itself becomes the revision for these earlier topics taught.

Question 3

This question consisted of two parts, each dealing with Control Systems. Part (a) tested candidates' ability to recognize the kinds of errors which affect the Suspense Account and those which do not. Transactions with errors were given and candidates were expected to prepare the Suspense Account correcting those errors which affect the Suspense Account and to determine by how much the Trial Balance was off. Candidates were also required to prepare correcting journal entries for those errors which do not affect the Suspense Account and to determine what the revised net profit should be after all corrections were made.

Part (b) required candidates to prepare a Debtors Control Account from information given.

Seventy-seven per cent of candidates attempted the question, of which 14.4 per cent scored 50 per cent or more of marks. The mean mark on this question was 6.05 out of 20.

Strengths

Most candidates did fairly well in preparing the Debtors Control Account. They recorded the opening balances correctly and were able to state the need for control accounts.

In preparing the correcting journal entries, most candidates were able to correct items 1 and 4 - error of principle and error of commission.

Weaknesses

Many candidates did not use the accounting stationery effectively. Ledgers, journals and even cash book pages were used inappropriately.

Many candidates did not prepare a Suspense Account and attempted to correct all of the errors directly in the journal.

Some candidates who prepared a Suspense Account could not differentiate between those errors which affected the Suspense Account and those which did not.

Recommendations

This aspect of control systems seemed to have been an overall weak area which needs a lot of attention and practice.

Section II (Optional Section)**Question 4**

This question consisted of three parts, all with a focus on year-end adjustments. Part (a) tested candidates' ability to calculate and prepare an account for the provision of bad debts. Part (b) tested candidates' ability to correctly record prepayments and accruals in Expense and Revenue Accounts and Part (c) tested whether candidates knew how to record these prepayments/accruals at the end of the period, in the Balance Sheet.

Thirty-seven per cent of candidates attempted the question of which 13.27 per cent scored 50 per cent or more of the total marks. The mean mark on this question was 5.06 out of 20.

Strengths

Most candidates were able to calculate the first year's Provision for Bad Debts correctly.

Most candidates treated the Rent Expense properly and recognized the treatment of bank receipts.

Weaknesses

Although most candidates were able to calculate the first year's provision for bad debts, they were unable to calculate the net increase or decrease for the subsequent periods. Additionally, candidates were unable to link the net increase or decrease in Provision for Bad Debts to the Income Statement.

Candidates were unable to treat the Commissions Revenue and recognize the accruals as a debit balance.

In recording the prepayments/accruals in the Balance Sheet, candidates neglected to label the classification of assets to which these items belong. Those candidates who included headings in the Balance Sheet treated Accrued Commissions Revenue as a liability rather than a current asset.

Recommendations

The May/June 2008 revised syllabus emphasizes the need to use the internationally accepted terms such as Income Statement instead of Profit and Loss account. Many candidates are still using Profit and Loss account.

There is an obvious need to reinforce the treatment of Provision for Bad Debts adjustments in the account as well as on the Income Statement. The balancing off of the provision for Bad Debts Account also needs to be reviewed.

The treatment of year-end adjustments of revenues needs to be reviewed. Although there has been some improvement shown with year-end adjustments of expenses, there is still a great deal of confusion when revenues are adjusted.

Question 5

This question tested candidates' knowledge of the preparation of accounts for non-trading organizations. Candidates were required to prepare a Statement of Affairs to find the Accumulated Fund; prepare a Subscriptions Account; prepare a statement showing the profit or loss made on refreshments and to use the information from the previous statements/accounts to prepare the Income and Expenditure Account for the year.

Twenty-seven per cent of candidates attempted the question of which 29.62 per cent scored 50 per cent or more of the available marks. The mean mark on this question was 7.25 out of 20.

Strengths

Several candidates were able to correctly prepare the Refreshment Trading Account.

In the preparation of the Income and Expenditure account, candidates were able to identify the expense and revenue items.

Weaknesses

In calculating the accumulated fund, candidates included both income and expense items together with assets and liabilities suggesting that they did not identify the formula for finding the accumulated fund as the same formula for finding capital.

Several candidates used the closing date for the opening Statement of Affairs, and in some instances also used the amounts associated with the end of the period. Most candidates did not correctly treat either subscriptions due at start or subscriptions in advance at start.

In the Income and Expenditure Account, Rent Expense was not adjusted for the prepayment and in several cases, the depreciation was not included. Many candidates did not use the appropriate term (surplus/deficit) to denote the difference between the expenditure and the income.

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 such as concerts and barbecues and also the preparation of the Subscriptions Account. When students are comfortable with the preparation of these accounts, then they should be reminded that only the balance/profit/loss needs to be taken to the Income and Expenditure Account.

Preparation of the Subscriptions Account, like other revenue accounts, continues to pose a challenge for students. More emphasis should be placed on the correct preparation of revenue accounts with opening balances and year-end adjustments. Because there is usually more expense than revenue accounts in most problem exercises, there is a temptation on the part of teachers to focus mainly on the treatment of expenses. A deliberate effort should be made to work with revenues in classroom exercises.

Question 6

This question tested candidates' ability to:

- (1) Distinguish between statutory and non-statutory deductions and to give examples of each.
- (2) Prepare a time card with regular hours and overtime hours.
- (3) Prepare a payroll for an individual.
- (4) Identify and calculate payroll deductions.

Eighty-nine per cent of candidates attempted the question of which 72.88 per cent scored 50 per cent or more of marks. The mean mark on this question was 13.51 out of 20.

This was by far the most popular optional question and candidates performed very well.

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 calculating regular and overtime hours as well as deductions.

Candidates gave an acceptable definition of statutory deductions together with suitable examples.

Weaknesses

Although an answer sheet was provided which cued the candidates where responses should be placed, the sheet was not used effectively and answers were put in inappropriate places.

Many candidates had difficulty defining voluntary deductions, even though they were able to give appropriate examples.

Some candidates had difficulty calculating income tax as a percentage of gross pay after 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, for example calculation of income tax and definition of terms.

Question 7

This question tested candidates' knowledge of Co-operatives.

Part (a): In two short-answer questions, candidates were required to identify features of co-operatives and to state similarities between co-operatives and limited liability companies.

Part (b): Candidates were required to use journal entries to show the start-up of a co-operative.

Part (c): Candidates were required to prepare the Appropriation of Profits Account for a co-operative. Using the information from the Appropriation of Profits Account, candidates were asked to calculate the dividend paid on each share and to calculate the Return on Capital Employed.

Fifteen per cent of candidates attempted the question of which 5.1 per cent scored 50 per cent or more of the available marks. The mean mark on this question was 3.23 out of 20.

This question was generally not well done. Candidates demonstrated very little knowledge of Co-operatives.

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.

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 15 questions about the operations of the business, do some calculations and carry out certain accounting functions such as preparing an Income Statement for the business.

Candidates' performance was disappointing, bearing in mind that over the last four or five examinations, there has been fairly good performances on this paper. The mean mark on this year's examination was 15.48 out of 40. Approximately 39 per cent of the candidates achieved Grade III or higher on this paper.

Principles of Accounts Study Guide

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 private candidates for the Paper 03/2 is to go over past papers to acquaint students with the format of the examination and to guide them as to how best to approach the paper. For example, sometimes candidates do not complete the paper and miss out on scoring marks to some easy questions.