

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

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

MAY/JUNE 2014

**PRINCIPLES OF ACCOUNTS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

The Principles of Accounts examination is offered in May/June and January each year. The examination consists of three papers:

- Paper 01 — Multiple Choice
- Paper 02 — Essay Paper
- Paper 032 — 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 36.11 out of 60 compared to 38.09 in 2013 and 34.53 in 2012. Approximately, 73.64 per cent of the candidates scored at least 50 per cent of the marks for this paper. Four 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 also saw a drop in candidates' overall performance. The mean mark for this paper was 39.84 out of 100 compared to 44.64 in 2013 and 31.62 in 2012. 31.54 per cent of candidates earned at least 50 per cent of the maximum mark on this paper.

Paper 032 – The Alternative to the School-Based Assessment

Paper 032, 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 Paper 032 remained steady when compared to last year. The mean mark was 19.39 out of 40 marks compared to 18.70 in 2013 and 13.28 in 2012. Approximately 43.18 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

The following comments which indicate strengths and weaknesses in the performance of candidates also help to identify the areas of focus when marks are being awarded.

Question 1

The main focus of this question tested candidates' application of the features of a partnership agreement, including interest on drawings, interest on capital, partner's salary and share of profit to arrive at an Appropriation Account. Candidates were also asked to draft Current Accounts using the appropriate figures. In addition, candidates were asked to calculate the amount of capital brought in by one partner, treat with additional revenue for appropriation as well as recognise the effects of a partnership agreement that was only enforced for half of the accounting year.

Approximately 38.85 per cent of candidates attempted the question, of which approximately 64.31 scored 50 per cent or more of the available marks.

Strengths

In general, candidates were able to

- calculate the partner's capital accurately.
- demonstrate proper heading style when preparing the Partnership Appropriation Account and the Partners' Current Accounts
- apply the given profit sharing ratio.
- treat with drawings, interest on drawings, interest on capital, partner's salary and profit share properly in the Current Accounts.

Weaknesses

In general, candidates were unable to

- treat with the additional revenue item
- recognise that the appropriation account was for a six-month period and not a full year
- calculate interest on drawings, interest on capital and salary for a six-month period
- treat with drawings, interest on drawings, interest on capital, partner's salary correctly in the Appropriation Account prepare columnar style Current Accounts.
- balance the Current Account

Recommendations

Teachers are asked to note that candidates would automatically and correctly write "Add" but proceed to subtract and vice versa in treating with appropriations of the net profit. Students need to be impressed with understanding the **accounting period** rather than only the **accounting year**. The implications of different sources of profit/revenue for appropriation should be considered as scenarios are made more realistic. Teachers are urged to emphasize that working must be shown e.g. the profit sharing ratio used should be recorded rather than implied.

Recommendations for teachers

Candidates continue to display weaknesses in fundamental concepts, formats and rules of accounting. For example, candidates continue to present Balance Sheet formats when an Income Statement is required.

Question 2

This question was designed to test candidates' knowledge of the reasons why Control Accounts, are prepared. They were then asked to demonstrate their ability to prepare Control Accounts for Purchases Ledger (also known as Accounts Payable or Creditors) and Sales Ledger (also known as Accounts Receivable or Debtors) respectively from two separate lists. The main skills required were the correct recording of opening and closing balances, the treatment of 'set off' in these two accounts and the debit/credit effect of unusual items such as late payment charge imposed by an accounts payable (creditor).

Approximately 49.10 per cent of the candidates attempted the question – 53.86 per cent of whom scored 50 per cent or more of the available marks.

Strengths

In general, candidates were able to

- Provide reasonable responses to the purpose of Control Accounts such as, arriving at total amounts owed or owing, the location of errors and the detection of fraud.
- Record opening balances correctly.
- Make correct debit entries in the Purchases Ledger Control Account (PLCA) for the following items: payment to suppliers, purchases return, and discount received.
- Make correct credit entries in the Sales Ledger Control Account (SLCA) for the following items: sales return, receipts from customers, and discount allowed.

Weaknesses

In general, candidates were unable to

- Record the closing balances correctly and remember to bring down both of the closing balances.
- Maintain the separate figures for the PLCA and the SLCA although the stimulus material was laid out in that fashion.
- Treat with the set off correctly as this required a debit entry in the PLCA and a credit entry in the SLCA for the amount of \$375 since this is the amount that can be cancelled by mutual agreement.
- Demonstrate understanding of the effect of unusual items on the PLCA and the SLCA such as the increase in indebtedness to creditors of the late payment charge or decrease in amount owed when a prepayment is made to suppliers. Candidates frequently reversed entries or omitted them from their responses.

Recommendations for teachers

Teachers are asked to share the reasons for certain activities in the accounting system such as the preparation of control accounts. Teachers are also asked to make the link for students between the single T-account for one creditor/debtor and the total figures for several creditors/debtors. The application of the rules of entry should move beyond rote learning and application to a discussion of effects of transactions using authentic scenarios such as an agreement to “set off” a debt against a credit amount.

Question 3

This question tested candidates’ grasp of basic accounting knowledge in recovering information from incomplete records. Candidates were required to calculate the firm’s Capital by categorising opening account values appropriately in a Statement of Affairs, calculate sales when given accounts receivable information and prepare an Income Statement from information on expenses.

Approximately 26.30 per cent of the candidates attempted the question – 84.12 per cent of whom scored 50 per cent or more of the available marks. The mean mark on this question was out of 20.

Strengths

In general, candidates were able to

- Identify assets from liabilities
- Use the appropriate information to calculate sales
- Prepare an Income Statement

Weaknesses

In general, candidates were unable to

- Focus on opening values instead of closing values for accounts
- Include accounts payable as a liability
- Apply the accounting equation to calculate capital
- Recognize the Statement of Affairs as an unclassified Balance Sheet
- Use the correct account names in calculating sales for the period
- Treat with prepaid expense and depreciation in the Income Statement

Recommendations for teachers

The need for return to topics covered early in the syllabus cannot be over-emphasised. The application of the accounting equation, the application of debit and credit entries in calculating missing figures, adjustment of accounts for depreciation, prepayments and accruals should be tested frequently using different scenarios.

Section II (Optional Section)

Question 4

This question tested candidates' knowledge of terms, calculation methods and presentation of information as applied to the topic of Depreciation.

Approximately 37.55 per cent of the candidates attempted the question – 79.03 per cent of whom scored 50 per cent or more of the available marks.

Strengths

In general, candidates were able to

- Define the terms “fixed asset” in terms of available for use over more than one year and provide an example.
- Define the term “net book value”
- Apply the straight line method in calculating depreciation expense on the delivery van.
- Set out the parts of the depreciable fixed asset section of a Balance sheet

Weaknesses

In general candidates were unable to

- Define the term “useful life” and exemplify its application to depreciable assets.
- Apply the reducing balance method in calculating annual depreciation expense on the industrial stove by utilizing the current net book value. Many candidates applied the rate to either the cost or the accumulated depreciation figure.
- Head the Balance Sheet correctly with the term “as at”.
- Prepare the Provision for Depreciation Account for the industrial stove by
 - entering relevant dates
 - entering the opening accumulated depreciation figure on the credit side
 - entering the annual depreciation on the credit side
 - balancing the account and bringing down the balance on the credit side

Recommendations

Teachers are asked to pay some attention to theoretical explanations of terms in accounts. They are also asked to continue their emphasis on the topic of adjustments to accounts especially where basic techniques such as entering balances and applying the rules of entry continue to be areas of weakness. When exploring the application of rules of entry to depreciate assets the notion of contra-asset accounts might be useful to justify the relevant double entries to be made. Encourage students to practice the reducing balance method of calculating depreciation and distinguish it from the straight-line method.

Question 5

This question focused on preparation of a Manufacturing Account with its usual assessment of candidates' ability to classify manufacturing costs and calculate cost of raw materials consumed, Prime Cost, Total Factory Overheads and Cost of Production using the given information. A few expenses were to be shared between the manufacturing concern and the non-manufacturing part of the business. In Part (b), candidates were required to transfer the Cost of Production and prepare a Trading Account for the manufacturer.

Approximately 55.95 per cent of candidates attempted the question, of which approximately 41.18 per cent scored 50 per cent or more of the available marks.

Strengths

In general, candidates were able to

- Head and draw up the Manufacturing Account and identify the main sub-totals, i.e. Cost of Raw Materials Consumed, Prime Cost, Total Factory Overheads and Cost of Production appropriately
- calculate correctly, the Cost of Raw materials consumed
- treat with opening and closing work in progress.

Weaknesses

In general, candidates were unable to

- Classify all items correctly which resulted in placement of direct costs in overheads or indirect costs in the Prime Cost section
- Compute and/or classify the Power, Rent and Janitor Wages figures which required allocation between the manufacturing and non-manufacturing concern.
- Recognize the need to transfer the Cost of Production figure to the Trading A/C to use in the calculation of Gross Profit and instead used the Purchases of raw materials figure
- Treat appropriately with stocks of finished goods by using them in the income Statement
- Label their Gross Income figure

Recommendations for teachers

Candidates must be taught the criteria to be used to distinguish types of costs in various scenarios. There are criteria used to distinguish manufacturing material, labour and expense costs from material, labour and expense types that appear in income statements. There are criteria used to distinguish direct costs from indirect costs. The discussion should include examples taken from as many industry sectors as possible. Finally, candidates should be familiarized with the creation of statements, where every amount is properly labelled.

Question 6

This question required candidates to demonstrate the opening journal entries for the membership fees and share capital of a cooperative. The question also required candidates to account for economic activity in the form of a fund-raising activity by preparing an income statement to show profits made as well as income from all sources. Although the popularity of this question was low, as is usual with the topic of Co-operatives, there was an improvement in the quality of responses from candidates who attempted Parts (b) (i) and (ii) of the question.

Approximately 34.75 per cent of the candidates attempted the question, 79.44 percentage of whom scored 50% or more of the available marks.

Strengths

In general, candidates were able to

- include a date and a narrative and calculate correct values for membership fees and shares
- include closing and opening inventory of drinks in arriving at the cost of drinks sold
- label the Income Statement properly
- treat with sales revenue and expenses, inclusive of purchase of meat, properly in the income statement
- include all forms of interest earned in the calculation of total income

Weaknesses

In general candidates were unable to

- name relevant accounts, such as cash/receipts and payments, debit and credit accounts or use the correct format for opening journal entries.
- distinguish which of the closing and opening inventory of drinks should be added and which should be subtracted
- remember to include the Income Statement amount in the calculation of total income.

Recommendations for teachers

This optional topic requires the application of accounting principles for Co-operatives as well as the skills used in arriving at information. Teachers are again advised to revise using various techniques such as control accounts, and trading accounts or statement formats. Interpreting the meaning of items in Receipts and Payments/Cash and Bank Accounts, Income Statements and Balance Sheets showing how they are linked are useful exercises.

Question 7

This question tested mainly, candidates' competencies on concepts related to the completion of a payroll document. Two categories of employees; hourly and daily paid were represented. Part (a) required candidates to list two basic source documents used in preparing payrolls. In Part (b), candidates were requested to differentiate between 'voluntary' and 'statutory' deductions. Part (c) required candidates to complete a Payroll Sheet showing calculations for: Normal Pay, Overtime Pay, Gross Pay, Social Security, Pension Fund and Income Tax.

Approximately 56.60 of the candidates attempted the question – 34.61 per cent of whom scored 50 per cent or more of the available marks.

Strengths

In general, candidates were able to

- List at least one basic source document.
- State one difference between 'voluntary' and 'statutory' deduction.
- Calculate the Normal Pay for both employees.
- Deduce the number of overtime hours worked.
- Calculate Gross Pay by adding Normal Pay and Overtime Pay.
- Complete the Payroll Sheet

Weaknesses

In general candidates were unable to

- Think of a second source document
- Calculate Income Tax by applying 10% on Taxable Income.

Recommendations

Teachers should continue their strategies used to prepare candidates to answer questions that require a familiarity with spreadsheets. Questions that are supported with forms to be filled are attempts to reflect the world of work, its ubiquitous computerized environment and the assessment style of this examination from this point forward.

Paper 031 – School-Based Assessment (SBA)

Paper 031 affords students the opportunity to gain concrete practical experience in the application of a limited amount of the principles of the accounting cycle in a simulated or real-life business environment. Students record business transactions in appropriate journals, post amounts and totals to relevant ledgers including the cash book, balance off accounts, draw up the trial balance, prepare at least one set of final accounts and compute related ratios to facilitate an evaluation of the business performance.

The following are some of the strengths and weaknesses found in the SBAs presented for moderation for the June 2014 examinations.

In general, students

- consistently included a table of contents but a significant number of them failed to do proper page numbering or chapter numbering was used without the identification of individual pages
- cited aims which were too general in nature or reflected the needs of the examination and therefore lacked a focus specific to the project. There were also frequent instances of overlapping aims
- provided comprehensive descriptions of the simulated business including supporting data such as the type of business and the nature of the business activities but failed to include the precise time period/s during which the business was simulated
- included appropriate diagrams from an accounting perspective but did not always provide labels or explanations for items on the diagrams presented

- included the transaction listing but did not ensure the sequence was followed in their accounts. There are several instances where no transaction listing was provided.
- included source documents to reflect transactions from the listing. These documents were frequently placed immediately after the transaction listing as expected. However, in several instances, students placed the source documents in an appendix which is not a required component of the SBA project. Students are reminded that three of these source documents are compulsory, namely
 1. cash receipt
 2. banking documents (withdrawal/lodgment slips, cheque counterfoil)
 3. sales/purchases invoice

The fourth source document may be drawn from the following list:

- internal memo
- debit note/credit note
- petty cash voucher
- demonstrated mastery in the use of the cash/bank information and the calculation of discounts but too few used the three-column cash book format.
- demonstrated competence in the use of books of original entry but did not post totals to ledgers but posted individual transactions unnecessarily.
- balanced and closed most accounts correctly except for those who did not treat nominal accounts (expense and revenue accounts) correctly but instead balanced the accounts (c/d, b/d) rather than close them to the Trading account or the profit and loss account.
- presented trial balances which showed agreement of debit and credit columns
- presented income statements with net profit/loss figures which were traceable to the balance sheet
- presented the balance sheet with correct headings and correct ordering of assets in terms of liquidity or permanence with totals agreeing
- gave a statement of performance, but a large percentage failed to substantiate the statement with the net profit/loss figure drawn from the financial statements
- gave accurate computations of ratios with supporting interpretations and provided recommendations/suggestions that were related to the interpretation
- failed to correctly interpret the *further interpretation* component of the SBA project.

Students are required to compare two different items over two different time frames within the period of simulation. For example:

- Week 1 cash sales figure against week 2 cash sales figure
(cash sales cannot be compared with credit sales)
- Opening cash/bank balance against closing cash/bank balance
(sales cannot be compared with purchases)

While it is admirable that attempts were made by students to include all sections of the project; in most cases no mark was awarded for completeness as students failed to complete the project in accordance with the revised SBA mark scheme. Similarly the mark for sequential arrangement was also not awarded in most cases as students failed to arrange projects in accordance with the sequence stipulated by the revised SBA mark scheme. No component of the project should be placed in an appendix as there is no need for such a section in the project report.

Recommendations

Students should be guided in selecting the type of business activities and the time frame during which the business will be simulated.

Students should be guided in writing concise explanation and or interpretation of the accounting records in keeping with the 1200 word limit.

The following are some aims which were accepted:

- To gain practical experience in the application of accounting procedures
- To complete the accounting cycle for the simulated business
- To analyze and interpret the performance of the business
- To assess the financial position of the business

The following are examples of aims that were not accepted by the examiners and as such must be discouraged:

- To fulfill the requirements of CXC
- To fulfill and satisfy the needs of the customers/people
- To make a profit
- To become independent and to be my own boss

Students should however ensure that their stated aims do not overlap.

Students need to be advised that if a cash book is included, there is no need for separate accounts for cash and bank in the general ledger.

Students need not present accounting records for two months as CXC currently recommend 6-20 transactions which can represent one month's worth of transactions.

There were a few occasions when moderated scores were significantly below the teacher's scores. Such samples were subjected to further moderation. It is apparent that some teachers need to spend much more time and care in ensuring that all marks awarded are justified as per the SBA mark scheme.

Paper 032 – Alternative to School-Based Assessment

Paper 032 is the alternative to the School-Based Assessment (SBA) and forms a part of the compilation of candidates' final mark in Principles of Accounts (POA).

Candidacy for this exam is limited to those persons who are out of the formal, secondary-level school system and would not, therefore, be considered as full-time, secondary school students benefiting from the internal school-based assessment programme. Normally referred to as “Private Candidates”, this also includes persons who have exited the secondary school system without a passing grade on the SBA component of their POA evaluation; as well as persons who may have earned a passing grade on the SBA component but failed the POA Paper 02 exam, more than two years previously.

As per POA syllabus guidelines, Private Candidates are tested for ninety (90) minutes. The examination takes the form of a case study, with a minimum of ten (10) and a maximum of fifteen (15) questions. From January 2014, the examination was set out with lines and spaces for responses immediately under stimulus material. Paper 032 carries a total of forty (40) marks, and is weighted at 20 per cent of the POA final mark.

DETAILED COMMENTS

The May/June 2014 Paper 032 case study was based on a sole trader who owned a car parts dealership. This case study tested specific objectives and content taken from POA syllabus, as follows:

- Section 2 (SO.3, 4, 5, 6 & 9): The Petty Cash Book
- Section 4 (SO.5 & 7): Ledger Accounts
- Section 5 (SO.7): Preparation of Financial Statements of Sole Trader

The mean mark on this question paper was 48.48 and the standard deviation was 7.98. One candidate scored full marks and ten candidates scored zero.

The paper consisted of eleven (11) compulsory questions. The following comments reflect the overall strengths and weaknesses of candidates’ responses.

General Comments

Generally, candidates attempted all questions. The format of the paper required that candidates submit their responses to questions within the question booklet, in the space provided immediately following the question. This structure seemed to have benefitted a significant number of candidates. There were, however, some candidates who did not use information provided in earlier pages although they were prompted to do so. This affected the correctness of some of their calculations, such as total amount of petty cash expenditure, total amount of Cash Discount Allowed, and the Bad Debts Expense figure, all of which were to be accounted for in the calculation of Net Profit. When asked to calculate values, for example, the total amount of cash discount allowed for the month, candidates would do well to list and label the items that they choose to include in their calculation.

Specific Comments

Question 1 required candidates to name one source document that would be used in drawing up a Petty Cash Book. Some candidates were unable to name an applicable source document.

Question 2 required candidates to calculate the amount needed to restore the petty cash imprest. This question was generally well done. Most candidates were able to arrive at the correct amount required to restore the imprest with.

Question 3 Candidates were given a list of small expenditures for a month, including the opening balance of cash on hand. Using this data, candidates were required to draw up the sole trader's Petty Cash Book for the month.

In many instances, the opening balance amount was not correctly shown on the Receipts side of the Petty Cash Book.

The "Total" column on the Expenditure side of the Petty Cash Book was frequently not used for each transaction recorded.

Columns used for the analysis of petty cash expenditure were not totalled at the end.

A foremost weakness for the majority of candidates was the inability to show the restoration of the imprest correctly, at month end.

Too many candidates were unable to balance and rule the Petty Cash Book at month end, indicating both "Balance c/d" and "Balance B/d" correctly.

However, classifying and entering transaction amounts in expense analyses columns were generally well done.

Question 4 required candidates to state one reason why a sole trader would offer a cash discount to debtors.

Candidates seemed unfamiliar with reasons for offering cash discounts to credit customers. The reasons given for the cash discount showed a misunderstanding of how discounts are used in business organizations.

Question 5 presented candidates with a full outline of bank account transactions for a month, as it related to the sole trader in question. Candidates were required to use this information, in conjunction with data on debtors' outstanding account balances at start of the month, to calculate the total amount of Cash Discount Allowed for the month.

Many candidates performed creditably on this question and were able to arrive at the amounts for Cash Discounts Allowed - \$435 and \$175 – or the total of \$610.

Question 6 referred candidates to two specific entries in the Bank Account data presented in the previous question, namely a standing order and a bank transfer, and required candidates to state the difference between these two items (apart from the dollar amounts in the entries).

Very few candidates were able to clearly differentiate between a standing order and a bank transfer.

Question 7 required candidates to draw up a Bad Debts Account for a specific debtor, whose information previously appeared in question numbers 4 and 5, and who is presently discovered as ‘unable to pay’. Candidates were also specifically asked to close off the Bad Debts A/c at the end of the month.

Some candidates presented some other account, instead of the requested Bad Debts A/c. Of those candidates who did name the drawn up account appropriately, many failed to close the Bad Debts A/c off to the Income Statement (or to the Profit & Loss A/c) at month end.

Question 8 required candidates to state one reason why cheques are returned by the bank to a business, apart from the debtor having gone out of business.

The reason often given for “returned cheque” was frequently stated as “bounced cheque” which, by itself, provides no explanation at all. Many candidates were unable to state a specific reason or cause for a cheque being returned by a bank to a business.

Question 9 required candidates to draw up the Bank Account, on the form provided, using the data provided in Questions 5 and 8.

This question revealed some deficiencies in candidates’ ability to draw up an asset account, in this case “Bank”, in accordance with fundamental accounting principles.

- i. Entries for receipts and payments were presented on the reversed sides of the Bank Account – i.e., receipts were credited, and payments were debited; instead of debiting the receipts and crediting the payments as per conventional norms.
- ii. There were several instances where the opening balance of cash on hand was correctly debited, using the correct accounting side of the Bank A/c, but then all the other entries in the Bank A/c were presented incorrectly on the reversed sides, as explained above.
- iii. With regards to the cheque received on March 21 from the debtor, W. Fisher, for \$4 800, and which was later dishonoured by bank on March 31, these two entries were frequently altogether omitted from the Bank Account, leaving no record that a cheque was received on the 21st, and dishonoured on the 31st.
- iv. The Bank A/c was not balanced correctly.

Question 10 presented candidates with detailed information from which to extract Opening and Closing Inventory figures, as well as Returns In and Out figures. Other data for cash sales and cash purchases were also introduced to candidates at this point. Candidates were directed to use the presented information to prepare the sole trader’s Trading Account for the month.

The preparation of the Trading Account was generally not properly done. Of significance were:

- i. The calculation of the total Sales figure was not correctly done; candidates were required to combine cash sales amounts from the business' cash register records, with sales amounts deposited directly into Bank. Frequently, the four separate incidence of such sales were not aggregated to find the correct overall gross sales figure.
- ii. In the case of calculation to find the total Net Purchases figure, which involved the necessity to aggregate only two cash purchases amounts, and deduction of the Returns Out figure, the majority of candidates arrived at the correct Net Purchases amount.
- iii. The Sales Returns entry was poorly treated, with some candidates adding to sales, rather than deducting to arrive at Net Sales figure.
- iv. Treatments for Opening Inventory and Closing Inventory were poorly rendered.

Question 11 required candidates to calculate the Net Income (Profit) of the business for the month, starting with the Gross Profit figure from Question 10. They were also directed to use relevant information from Questions 3, 5, 7 and 9 in the calculation of the Net Income.

Candidates did not start the calculation with their Gross Income (Profit) amount and end the statement with the Net Income (Profit) figure.

Candidates could not correctly determine the expenses to be accounted for in the calculation of the Net Income or Net Profit.

Petty Cash expenses were not accounted for, or treated correctly, in the Net Income statement.

Recommendations

This case study, in many instances, required candidates to read carefully and to utilize information presented or calculated earlier. Candidates lost marks by failing to include relevant data from previous questions. For example, the petty cash expenses of Question 3, the Cash Discount Allowed of Question 5 and the Bad Debts Expense of Question 7, were not accounted for in Question 11's Net Income calculation. Candidates therefore need to strengthen their ability to

- *read carefully*; because candidates are prompted at the appropriate points, which previous questions are to be referenced; and
- *follow through*; synthesizing, blending and consolidating as it were, all relevant details to present a full and comprehensive account or report at end.

Candidates need to be engaged in activities which challenge them to consistently apply concepts learnt in the earlier part of the syllabus on a continuous basis. Some examples include:

- the recognition of different types of source documents used for making entries in the books of account;
- preparation of different types of accounts, observing the fundamental accounting principles in the application of rules for entry of debits and credits in various types of accounts (e.g., for any asset account, e.g. "Bank", receipts are debited and payments are credited);
- balancing and ruling of journals (books) and ledger accounts at month end – Bank A/c, Petty Cash Book, Nominal accounts such as Bad Debts Expense.

It would augur well for the future, if candidates were to be encouraged in critical thinking and analytical skills, even as they are exposed to and encouraged to apply *learnings* to real life situations. That being so, we look to improvement in candidates abilities to:

cite various examples of source documents for all types of transactions, regardless of the type of sole trader identified; articulate and show understanding of how cash discounts are used by different types of businesses; explain reasons why banks may return cheques as 'dishonoured'; and explain the difference between standing orders and bank transfers with clarity.

It is not just a question of candidates expressing themselves poorly, but more a concern of candidates appearing to be completely devoid of an understanding of the issues at play in the concepts being tested – and this needs to be developed and strengthened with targeted exercises which involve and apply to real-life world situations. A pointed example refers to the poor handling of data presented in Question 10, where candidates were required to calculate the Net Sales figure, primarily using *cash sales amounts taken from the cash till* on stated days, and *cash sales amounts deposited directly into the bank account* on other indicated days. It is apparent that many candidates did not recognize and understand what was happening there, and therefore were unable to decipher that all these figures were to be added together to arrive at the total gross sales, from which a deduction of the Returns Inwards amount is to be made, to find and arrive at the Net Sales.

Generally, candidates' learning will be strengthened through practice; more so, practice which relates to and constantly references real life situations, to develop deep understanding and true learning of issues and concepts, rather than rote and conditioned recitation of some facts.