



CARIBBEAN EXAMINATIONS COUNCIL

PRINCIPLES OF ACCOUNTS



Subject Report with Exemplars

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CARIBBEAN EXAMINATIONS COUNCIL

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

JUNE/JULY 2022

**PRINCIPLES OF ACCOUNTS
GENERAL PROFICIENCY**

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INTRODUCTION

This guide has been put together using student responses to the 2022 examination in CSEC Principles of Accounts. The answers have been kept according to the original design of the examination paper.

In July 2022, approximately 15 585 candidates sat the Principles of Accounts General Proficiency examination.

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

The examination consists of the following papers.

Paper 01	—	Multiple Choice
Paper 02	—	Extended Response/Problem-Solving
Paper 031	—	School-Based Assessment (SBA)
Paper 032	—	Alternative to SBA (private candidates)

A revised syllabus was first examined for the May/June 2019 examination period. Whilst there was an improvement in overall performance compared with 2021, performance was varied for the different papers. Paper 01 showed a significant increase in performance, with a mean of 60.50 per cent of candidates achieving passing scores in 2022 when compared with 51.60 per cent in 2021. Paper 031 (SBA) also recorded a significant improvement in performance, with 76.46 per cent of candidates achieving passing scores in 2022 when compared with 72.50 in 2021.

There was a decline in performance on Paper 032, with 41.36 per cent of candidates achieving passing scores in 2022 when compared with 52.25 per cent in 2021. Paper 02 registered a steep decline in performance in 2022, with 40.91 per cent of candidates achieving passing scores when compared with 41.53 per cent in 2021. The percentage of candidates who obtained acceptable grades, Grades I–III, increased from 66 per cent in 2021 to 70 per cent in 2022. Additionally, candidate performance on all three profiles — Profile 1 (Knowledge/Comprehension), Profile 2 (Application) and Profile 3 (Interpretation/Analysis) — improved significantly when compared with 2021.

PAPER 01 – MULTIPLE CHOICE

Paper 01 consisted of 60 multiple-choice items taken from the three profiles of the syllabus: Knowledge/Comprehension, Application, Interpretation and Analysis. There was significant improvement in candidates' performance on Paper 01, with the mean score being 36.30 out of 60 compared with 30.96 in 2021 and 38.14 in 2020. The maximum score on this paper was 60 marks.

PAPER 02 – PROBLEM SOLVING

It should be noted by candidates and teachers that most questions on this paper assess candidates' grasp of several concepts and topics across the syllabus. This often results in candidates responding well to parts of questions but providing a number of non-responses to other parts of the same question. The following comments which indicate strengths and weaknesses in the performance of candidates also help to identify the areas of focus when marks are awarded.

Paper 02 comprised a total of five compulsory questions. Performance on Paper 02 declined slightly when compared with 2021, with the mean score being 40.91 compared with 41.53 in 2021. Paper 02 was not administered in 2020.

Question 1

This question assessed candidates' ability to use the imprest system to prepare and complete records for the maintenance of the petty cash float, for a one-month period, and to complete the posting of totals to the ledger accounts affected at month end. Candidates were also required to prepare a cheque for the replenishment of the petty cash fund.

Most candidates responded to this question but only a few were able to secure full marks. The mean mark was 9.79 out of 20.

Candidate's Response to Parts (a) (i) to (iii)

The petty cashier for TD Salon was given \$1 500 on 1 April 2022 to start a petty cash book which will be maintained on the imprest system. Analysis columns are provided in the petty cash book for stationery, cleaning supplies and wages.

During the month of April 2022, the following transactions occurred.

April 1 Purchased mop buckets, brushes and dusting cloths for \$180.

April 12 Bought copy paper and pens for a total of \$365.

April 14 Cleaner was paid wages of \$250 for a fortnight.

April 15 Bought envelopes, computer-ink and staples for \$178.

April 18 Bought cleaning supplies for \$261.

April 29 Cleaner's wages were paid, \$250.

- (a) (i) Use the petty cash book form provided on page 5 to record the petty cash transactions for TD Salon for the month of April 2022.
- (ii) Total, balance and rule the petty cash book at the end of April.
- (iii) Record the entry in the petty cash book on 1 May 2022 to replenish the petty cash fund.

TJ Salon Petty Cash Book							Page 1
Receipts \$	Date	Details	Payments				
			Total \$	Analysis Columns			
				Stationery \$	Cleaning Supplies \$	Cleaner's Wages \$	
1500	2022 Apr 1	Cash i ✓					
	1	Clean Mop Buckets, brushes, dusting cloths	180		180		
	12	Copy Paper & Pens	365	365			
	14	Cleaner's Wage	250			250	
	15	Envelopes, computer ink and staples	178	178			
	18	Cleaning Supplies	261		261		
	29	Cleaner's wage	250			250	
	30	Total	1484	543	441	500 ✓✓	
	30	Bal c/d	16				
1500			1500				
	16 May 1	Bal: b/d					
1484	May 1	Imprest					

(9 marks)

Examiner's Comments

In the response, the candidate displayed good technical competence in the preparation of a petty cash book. However, the candidate did not attain full marks for this page as the folio information was omitted with respect to the completion of Part (b) where candidates were asked to post and complete the entries with the appropriate cross-referencing details.

As instructed, the candidate entered the opening petty cash float amount correctly. Each expenditure transaction was recorded properly, with details, and the total amount and extended amount were analysed appropriately. Month-end totalling and the balancing of the petty cash book were done properly and the replenishment of the fund was correctly executed.

Candidate's Response to Part (b)

(b) Use the ledger account forms provided below to post the totals from the petty cash book at month end.

- Enter the account titles.
- Assign numbers to EACH ledger account.
- All posted entries should be completed with all the appropriate posting references and cross-referencing details.

Dr Cr

ACCT. TITLE: Stationery ✓				ACCT. NO.: 51 ✓			
Date	Details	Folio	Debit \$	Date	Details	Folio	Credit \$
2022							
30 April	Petty Cash	PCB#1	543				

Dr Cr

ACCT. TITLE: Cleaning Supplies ✓				ACCT. NO.: 52 ✓			
Date	Details	Folio	Debit \$	Date	Details	Folio	Credit \$
2022							
30 April	Petty Cash	PCB#1	441				

Dr Cr

ACCT. TITLE: Cleaner's Wages ✓				ACCT. NO.: 53 ✓			
Date	Details	Folio	Debit \$	Date	Details	Folio	Credit \$
2022							
30 April	Petty Cash	PCB#1	500				

(8 marks)

Examiner's Comments

The sample above represents a perfect response.

As instructed, the candidate entered an account number for each ledger account; posted the totals from the petty cash book to the appropriate ledger accounts and completed folio columns for each posting with the correct cross-reference information.

The response to this part of the question demonstrated that the candidate had a sound knowledge of the fundamental accounting techniques involved in posting from books of original entry to ledger accounts.

The candidate was awarded full marks for the response.

Candidate's Response to Part (c)

The owner of TD Salon has asked you to prepare and sign the cheque to be given to Turi Francis, the petty cashier, to cash at the bank for the purpose of replenishing the petty cash fund on 1 May 2022. Use the form below to prepare the cheque for this purpose.

Caribbean Bank, PLC High Street Anywhere Town, Nevis	
1 st May, 2022	
PAY TO <u>Turi Francis</u>	The sum of
<u>One thousand four hundred and eighty four</u>	DOLLARS
and <u>zero</u>	CENTS.
<u>TD Salon</u>	
\$ <u>1484.00</u>	

(3 marks)

Examiner's Comments

An ideal response was presented by the candidate. The correct date was written on the date line; the payee's name was entered correctly and the correct amount for the replenishment of the petty cash fund was written using matching words and figures. This figure was a follow-through figure from the first part of the question.

Full marks were awarded for this response.

Recommendations

- Candidates should be provided with scenarios which enable them to practise the preparation of a petty cash book.
- It is necessary for candidates to gain more practice in entering information correctly, especially the opening balance amount, which should be recorded in the Receipts column, and the various payment amounts which should be entered in both the total column and the most appropriate analysis column.
- Teachers should also place special emphasis on the steps and correct techniques involved in the balancing and replenishment of the petty cash book. More focus should be placed on how to post to ledger accounts, completing and posting cross references between books of original entry and ledger accounts.
- It would be useful for teachers to discuss the parties to a cheque and their roles, what accounts for a cheque being voided and the reasons why a cheque may be dishonoured. There should be opportunities for students to practise writing up a cheque — including how to write out a variety of different amounts correctly in words and figures. This means that some practical opportunities should be provided whereby students fill out actual cheque forms, so they understand what information should be entered, where information should be placed for completion of each part of a cheque, as this information is standard.
- Candidates should be encouraged to recheck answers against instructions to ensure that the correct task has been performed for all parts of questions, for example, the replenishment of the petty cash fund in the petty cash book.

Question 2

This question assessed candidates' analytical skills with respect to the preparation of a receipts and payments account for a non-profit organization. It also tested candidates' ability to analyse the reasons for differences between the organization's receipts and payments account (that is, its cash book) and the bank statement transactions, and required that they prepare a bank reconciliation statement.

Most candidates responded to this question but only a few were able to secure full marks. The mean mark was 9.13 out of 20. Many candidates scored less than 50 per cent of the allotted marks.

Candidate's Response to Part (a)

The treasurer of Suri Youth and Sports Club has listed the following details about the club's affairs for the year ended 30 April 2022.

	\$
✓ Subscriptions	5 460
✓ Refreshments bought for club members	980
✓ Club's staff wages	2 200
✓ Rental income	2 420
✓ Secretarial and administrative expenses	3 500
✓ Ground maintenance expenses	560
✓ Social evening costs	4 380
✓ Clubhouse repairs	8 400
✓ Social evening ticket sales	17 880

Additional Information

	1 May 2021	30 April 2022
✓ Cash at bank	\$2 045 (overdrawn)	?

- (a) Use the form provided on page 9 to prepare the club's receipts and payments account for the year ended 30 April 2022. Clearly identify the closing balance for the start of the new year.

Suri Youth and Sports Club
 Receipts and Payments account
 for year ended 30 April 2022

DR	\$		CR
		Balance B/D	2,045
Subscriptions	5,460	Refreshments	980
Rental income	2,420	Wages	2,200
Ticket Sales	17,880	Secretary and admin expenses	3,500
		Ground maintenance	560
		Social costs	4,380
		Clubhouse repairs	8,400
		Balance - C/P	3,695
	<u>25,760</u>		<u>25,760</u>
Balance B/D	3,695		

Examiner's Comments

In the sample, the candidate demonstrated competence in the presentation of the receipts and payments account. The statement was neatly written and the candidate displayed technical competence in the balancing and ruling of the said account at year end.

The candidate demonstrated acuity in the treatment of the items that were to be recorded in the receipts and payments account. Full marks were awarded for the response.

Candidate's Response to Part (b) (i)

On 30 April 2022, the treasurer of Suri Youth and Sports Club presented the club's financial team with the following information.

30 April 2022	Bank statement balance	\$2 125
30 April 2022	Receipts and payments book balance	?

Discrepancies between the two records were discovered as follows.

Item	Description of Discrepancies	Amount \$
✓A	The bank statement showed that some subscription payments were paid directly at the bank by club members. These payments were not recorded in the receipts and payments account.	200
✓B	Payment of a cheque was recorded twice in the bank statement.	400
✓C	Insurance premium for the club which was paid by the bank as per instructions had not been recorded in the receipts and payments account.	590
✓D	A cheque previously received from M. Vidal was dishonoured by the bank.	430
✓E	Bank charges had not been recorded in the receipts and payments account.	80
✓F	A cheque for \$740 issued to S. Carter for catering services was recorded in the receipts and payments account as \$470.	

- (i) State which of the discrepancies above match the two terms in the following table, by writing the corresponding item letter from the table above in the spaces provided in the table below.

Term	Item Letter
Standing order	 C
Direct deposit	 A

(2 marks)

Examiner's Comments

The candidate demonstrated understanding of the terms *standing order* and *direct deposit* as it relates to banking transactions. Full marks were awarded for this part of the question.

Candidate's Response to Part (b) (ii)

- (ii) Prepare the updated receipts and payments account to show the updated cash at bank figure for Suri Youth and Sports Club at 1 May 2022. Begin with your closing cash balance calculated from the receipts and payments account in (a).

Suri Youth and Sports Club Receipts and payments account ✓ For year ended 1 May 2022					
2021 2022		\$	2022		\$
1 May	Balance B/D	3,695	1 May	Insurance	590
1 May	Subscriptions	200	1 May	Dishonoured Cheque	430
			1 May	Bank Charges	80
			1 May	S. Carter	270
			1 May	Balance c/d	2,525
		<u>3,895</u>			<u>3,895</u>
1 May	Balance B/D	2,525			

(7 marks)

Examiner's Comments

The candidate included a proper statement heading, with all three parts correctly inserted. In updating the receipts and payments account, the candidate began with the closing cash balance calculated in the receipts and payments account in Part (a).

- The subscription of \$200 paid directly to the bank and not recorded in the receipts and payments account was correctly analysed as increasing the cash receipts and was correctly debited in the receipts and payments account to update it.
- The standing order of \$590 for insurance payment paid by the bank was correctly analysed as increasing the payments made by the club and was correctly credited in the receipts and payments account.
- The dishonoured cheque of \$430 was correctly analysed as reducing the receipts and was correctly credited in the receipts and payments account.
- The understated entry made for a previous cheque payment was correctly analysed and the difference of \$270 was correctly credited in the receipts and payments account.

The updated balance for the receipts and payments account was correctly calculated. The candidate was awarded full marks for this part of the question.

Candidate's Response to Part (b) (iii)

- (iii) Prepare a bank reconciliation statement for Suri Youth and Sports Club for the month of April 2022, beginning with your updated cash at bank figure from (b) (ii).

Suri Youth and Sports Club Bank reconciliation statement for the month of April 2022		
	\$	\$
Balance as per updated cash at bank		2,525
Deduct:		
Cheque recorded twice		(400)
Balance as per bank statement		<u>2,125</u>
		

(3 marks)

Examiner's Comments

As instructed, the candidate began with the updated cash at bank figure from Part (b) (ii). The candidate is to be commended for recognizing that the double recording of a cheque payment by the bank would only affect the bank statement balance and not the receipts and payments account balance. The candidate correctly adjusted the bank statement balance by deducting \$400. The bank statement balance was reconciled with the reported cash balance in the receipts and payments account at month end. The candidate was awarded full marks for this part of the question.

Recommendations

- Candidates needed to understand that a receipts and payments account is a summary of the actual cash receipts and payments made by the club over a period of time. As such, for non-profit organizations, receipts and payments accounts are exactly the same as cash book records for profit-making organizations.
- As a learning/reinforcement activity, teachers are encouraged to design gaming activities where candidates are required to
 - classify cash transactions into receipts and payments
 - identify the different types of club receipts such as annual subscriptions, donations, rental income
 - identify the different types of club payments such as salaries and wages, printing and stationery, office expenses, rent, rates and taxes.
- Teachers are also encouraged to review the steps involved in the process of balancing the receipts and payments account at the end of a period — including the review of the significance of the balance carried down and the balance brought down on the opposite sides of the account.
- Students should be made aware that one of the main reasons for reconciling the bank statement with the club's receipts and payments account is to identify the integrity of data between the bank's records and the club's records for its receipts and payments.
- Teachers should design interactive lectures consisting of innovative visual representations that illustrate the discrepancies between the receipts and payments account and the bank statement. These visual representations will help students see clearly whether a transaction causes the balance in the receipts and payments account to be greater or smaller than the bank statement figure and to subsequently determine the act needed to bring about a reconciliation.
- Students need practice in using clear and logical thinking in their analysis of what exactly is required for each point under consideration, when undertaking reconciliation statement exercises.
- Instructors should avoid teaching a topic in isolation and should instead seek to integrate topics with other areas of the syllabus. For example, bank reconciliation can be taught with a non-profit organization, a limited company, a sole trader organization or a partnership. This kind of integration will improve candidates' critical thinking skills and deepen their understanding, enabling them to more effectively and responsibly participate in today's and tomorrow's business world.

Question 3

This question tested candidates' knowledge of basic cost accounting for manufacturing concerns and was presented in three parts — identification of direct costs, preparation of the manufacturing account and calculation of the unit cost of production.

Most candidates responded to the question and some were able to secure full marks. The mean mark was 10.36 out of 20.

Overall, this was the best performing question on the paper.

Candidate's Response to Part (a) (i)

Rayelle Manufacturing Company manufactures automobile parts, model AF2. The following information is available for the direct costs used to manufacture one automobile AF2 part.

Direct Costs For Making Each AF2 Part
<u>Material</u> 7 kg of steel, bought at a cost of \$11 per kg
<u>Labour</u> <ul style="list-style-type: none">• 2 hours in the cutting department• 3 hours in the polishing department All labour is paid at the rate of \$15 per hour.

- (a) (i) Calculate the total direct costs of producing one AF2 automobile part.

$$\begin{array}{l} 7\text{kg} \times \$11 = \$77 \\ 2\text{hr} \times \$15 = \$30 \\ 3\text{hr} \times \$15 = \$45 \\ \hline \$152 - \text{total direct costs} \end{array}$$

(3 marks)

Examiner's Comments

Candidates were required to calculate the total cost of producing one AF2 part. This included the calculation of the per unit cost for material (7 kg of steel at a cost of \$11 per kg) and the per unit cost of labour. Labour was provided by two departments — the cutting department (two hours) and the polishing department (three hours). The labour rate in each department was \$15 per hour.

All calculations were accurately presented in the sample.

The candidate earned full marks.

Candidate's Response to Part (a) (ii)

(ii) Calculate the total direct costs of producing 800 AF2 automobile parts.

\$152 - total direct cost \times 800 parts

\$121,600 - cost of producing 800 parts

(3 marks)

Examiner's Comments

The candidate attained full marks for this response, demonstrating good application skills and cleverly using the previously calculated cost of producing one part to attain the total cost of production for 800 parts.

Candidate's Response to Part (b) (i)

The following information has been extracted from the books of Rayelle Manufacturing Company for the year ended 30 April 2022.

	\$
Factory wages	106 700
Factory overheads	86 000
Administrative expenses	2 900
Purchases of raw materials	240 600
Purchases returns of raw materials	780
<u>Inventories at 1 May 2021</u>	
Work in progress	12 480
Raw materials	42 000
<u>Inventories at 30 April 2022</u>	
Work in progress	34 000
Raw materials	28 000
Revenue	930 000

- (i) Use the information provided in the table on page 14 to prepare an extract, showing calculations to arrive at the cost of raw materials used for the year ended 30 April 2022.

Rayelle Manufacturing Company Manufacturing Account Extract for year ended 30 April 2022		
Direct Materials	\$	\$
Opening Stock Raw Materials	142,000	
Add: Purchases Raw Materials	240,600	
	282,600	✓
Less: Purchase Returns Raw Materials	(780)	✓
Cost of Raw Materials Available for use	281,820	
Less: Closing Stock Raw Materials	(28,000)	✓
Cost of Raw Materials used	253,820	

(4 marks)

Examiner's Comments

The sample represents the expected response and full marks were awarded to the candidate.

The presentation used in the statement and the correct calculation of the cost of raw materials demonstrated the candidate's competence in the application of accounting knowledge. The following actions carried out by the candidate are commendable.

- Deducting purchase returns
- Adding net purchases to the opening inventory of raw materials
- Deducting closing inventory of raw materials

Candidate's Response to Part (b) (ii)

- (ii). Prepare the company's manufacturing account to show the total cost of production of manufactured goods for the year ended 30 April 2022.

Raville Manufacturing Company Manufacturing Account for year ended 30 April 2022		
	\$	\$
Cost of raw materials used	✓	253,820
Direct Labour		
Factory Wages	✓	106,700
Direct Expenses		0
PRIME COST		360,520
Factory Overheads		
Factory Overheads:	✓	86,000
		446,520
Add: Work in Progress at Start		12,480
		459,000
Less: Work in Progress at end		(34,000)
Cost of Production of Manufactured Goods		425,000

(8 marks)

Examiner's Comments

The candidate provided an excellent response.

The statement was neatly written up in a logical and accurate manner. The formatting and treatment of items demonstrated the candidate's knowledge and competence. Notably, the following elements were evident in the presentation.

- Inclusion of the cost of raw materials consumed as a follow through in this part of the question
- Use of the correct items to calculate prime cost
- Correct calculation of the adjustments for work in progress to arrive at the cost of production

Candidate's Response to Part (c)

- (c) During the year ended 30 April 2022, Rayelle Manufacturing Company produced 50 000 AF2 automobile parts.

Use the total cost of production figure from (b) (ii) to calculate the unit cost of producing one AF2 automobile part in the year ended 30 April 2022.

425,000 - cost of production

50,000 - automobile parts

$$\frac{\text{Production Cost}}{\text{Number of units}} = \text{unit cost of production}$$

$$\frac{425,000}{50,000} = \$8.50$$

(2 marks)

Examiner's Comments

The candidate was awarded full marks for this part of the question.

The candidate used the correct formula for finding a unit cost of production and correctly arrived at the cost of production.

Recommendations

- Students need to be given guidance with respect to the formatting and presentation of their responses. Teachers are encouraged to provide adequate practice activities for them. The proper format of the manufacturing account needs to be practised, starting with full headings, proper sections and accurate calculations to arrive at the prime cost and cost of production.
- Teachers should help students understand and demarcate the different parts of a manufacturing account so that they are able to prepare an extract of the account, when asked to do so.
- Students need to comprehend the meaning of *prime cost* and what items ought to be included in its calculation, which they should then be able to differentiate from other costs/expenses.
- Teachers should facilitate class discussions/presentations that enable students to differentiate between prime cost and other cost items. Technologically innovative visual presentations can be used to highlight the differences.
- It must be stressed that opening inventory of work in progress is added while closing inventory of work in progress is deducted to arrive at the *cost of production*. More practice is needed in calculating a unit cost of production, beginning with the writing of the formula and followed by utilizing correct figures for the calculation. Instructors should encourage candidates to recheck their arithmetic and calculated answers.

Question 4

This question focused on two main syllabus objectives — components of a business plan and company accounting related to the issue of shares and debentures, and the payment of dividends.

Most candidates attempted some areas of the question. A few candidates scored full marks.

Candidate's Response to Part (a)

Payne Ltd has been asked to submit a business plan for the launching of a new product line.

- (a) List THREE components Payne Ltd should include in the business plan.

Component 1	Executive Summary ✓
Component 2	Financial Plan ✓
Component 3	Production Plan ✓

(3 marks)

Examiner's Comments

The candidate's response demonstrated familiarity with components of a business plan. The candidate was awarded full marks.

Candidate's Response to Part (b)

The authorized share capital for Payne Ltd is as follows.

200 000 ordinary shares of \$1 each 500 000 8% preference shares of 50¢ each

2021 1 June	Payne Ltd issued 100 000 ordinary shares at \$1.80 each. These shares were fully subscribed and paid up.
2021 1 November	Payne Ltd issued 200 000 8% preference shares at \$1.00 each. These shares were fully subscribed and paid up.
2022 1 April	Payne Ltd issued \$80 000 6% debentures.

Use the form provided on page 19 to prepare journal entries to record the three transactions above for Payne Ltd. Narratives are not required.

GENERAL JOURNAL				
Date	Details	Folio	Debit \$	Credit \$
	Bank		180 000 ✓	
	Ordinary Shares			100 000 ✓
	Premium on ordinary shares			80 000 ✓
	Bank		200 000 ✓	
	8% Preference shares			100 000 ✓
	Premium on 8% preference			100 000 ✓
	Bank		80 000 ✓	
	6% Debentures			80 000 ✓

(6 marks)

Examiner's Comments

The candidate demonstrated competence in analysing and recording the issue of shares at a premium and the issue of debentures. The presentation and format used in the general journal would have been exemplary had the candidate also recorded the dates for each transaction. Narrations were not required. All other parts of the journal entries were neatly presented.

Candidate's Response to Part (c)

Use the information presented for the issue of shares on page 18 to prepare an extract showing the shareholders' equity section of Payne Ltd's statement of financial position as at 30 April 2022.

Payne Ltd Balance Sheet (extract) as at April 30, 2022		
Equity Section:	\$	\$
Share Capital:		
Authorized		
Ordinary	200 000	
Preference	250 000	
	<u>450 000</u>	
Issued:		
Ordinary	100 000	
Preference	100 000	200 000
Add: Reserves		
Ordinary (Premium Shares)	80 000	
Preference (Premium Shares)	100 000	180 000
		<u>380 000</u>

(6 marks)

Examiner's Comments

The presentation and format used for the shareholders' equity section of the statement of financial position were exemplary. The candidate demonstrated proficiency in preparing the shareholders' equity section of the statement of financial position. Clearly, the candidate had a good grasp of the specific accounting terms (ordinary share capital, preference share capital, reserves and share premium) and wrote them in the appropriate sections in the statement of financial position. The candidate was awarded full marks for this part of the question.

Candidate's Response to Part (d)

During the financial year ended 30 April 2022, Payne Ltd declared and paid an ordinary dividend of 5¢ per share and paid out the dividend due on the preference shares.

For EACH type of share specified in the table below, calculate the amount the company paid out in dividends for the year ended 30 April 2022.

Type of Share	Working
Ordinary shares	$0.05¢ \times 100,000$ $= 5,000$ dividends to be paid out
Preference shares	$8\% \text{ of } 200,000$ $= 0.08 \times 200,000$ $= 16,000$ dividends to be paid out

(3 marks)

Examiner's Comments

The candidate ably calculated the correct value of dividends to be paid to the ordinary shareholders. In the calculation, the candidate used the correct figure for issued ordinary shares (100 000 ordinary shares @ \$1 each = \$100 000) and multiplied by the dividend per share (\$0.05 per share), ending with the correct answer for the total to be paid out.

With reference to the calculation of the dividends due to preference shareholders, the candidate had difficulty determining whether the percentage should be calculated on the 'number' of preference shares (200 000 shares) or the 'value' of the preference shares (\$100 000 — 200 000 shares @ 50 cents each). The candidate failed to use the correct figure, which should have been the *value* of the issued preference shares. The candidate had no difficulty with the arithmetical application of 8%. The challenge arose in the analysis regarding exactly what figure ought to have been used for the application of the 8% rate and this resulted in the calculation of an incorrect answer for the dividends due to preference shareholders (\$16 000 instead of \$8 000).

Candidate's Response to Part (e) (i)

Payne Ltd is planning to raise additional capital through another issue of shares.

- (i) Calculate the additional number of 8% preference shares that the company can issue.

$$\begin{array}{r} 500,000 \text{ - authorized preference shares} \\ - 200,000 \text{ - issued preference shares} \\ \hline 300,000 \text{ - left to issue} \end{array}$$


(1 mark)

Examiner's Comments

The candidate understood the terms *authorized shares* and *outstanding shares* and so correctly arrived at the remaining number of shares that the company could still issue.

Candidate's Response to Part (e) (ii)

- (ii) Calculate the total value of these additional preference shares.

$$\begin{array}{r} 300,000 \text{ - shares that can be issued} \\ \times \quad 0.50 \text{¢ - value} \\ \hline 150,000 \text{ - total value of additional shares} \end{array}$$


(1 mark)

Examiner's Comments

This candidate showed all working, with the steps given in a clear, logical, neat and accurate fashion.

Recommendations

- Instructors should encourage candidates to view videos that explain the concept concerning the issue of shares by a company and how to make entries for the issue of shares sold at par and at a premium, in both the general journal and in ledger accounts. The instructor should research and provide links to such videos.
- Instructors may also utilize mini scenarios to aid candidates' understanding of the difference between authorized shares and outstanding shares.
- Exemplars should also be used to reinforce the issue of shares, especially those sold at a premium. The exemplar should be a good one and should be clearly annotated.
- Teachers are encouraged to review and reinforce the intricacies of calculations involving dividends due to shareholders, especially in scenarios where the number of shares and the value of those shares are not identical.

Question 5

This question focused on the application of basic costing principles, as outlined in Section 10 of the revised Principles of Accounts syllabus. Many candidates attempted this question and a few of them earned full marks.

Candidates seemed unfamiliar with this topic and so not many scored full marks. However, because of the scaffolding structure of the question, many candidates were able to pick up marks by following through with their answers from previous sections.

The mean mark on this question was 6.46 out of 20.

Candidate's Response to Part (a)

High Tech Limited is a manufacturer of Scalextric toy cars. It has two cost centres, assembly and finishing, and information is available as follows.

Indirect Costs	Cost Centres	
	Assembly \$	Finishing \$
Production supervisor salary	5 000	5 600
Apportioned costs	9 750	15 250

Use the information given in the table above to calculate the **total** indirect costs for EACH cost centre.

Assembly Cost Centre	Finishing Cost Centre
$\begin{array}{r} 5000 \\ + 9750 \\ \hline 14750 \end{array}$	$\begin{array}{r} 5600 \\ + 15250 \\ \hline 20850 \end{array}$

(2 marks)

Examiner's Comments

The candidate showed a clear understanding of the question and correctly totalled all the indirect costs for each cost centre.

Full marks were awarded for the response.

Candidate's Response to Part (b) (i)

(b) The total production hours for the business are as follows.

Production Hours	Cost Centres	
	Assembly \$	Finishing \$
Labour hours (LH)	3 500	2 500
Machine hours (MH)	500	1 500

Additional Information

- The assembly cost centre operates on a 'labour hour' intensive basis.
- The finishing cost centre operates on a 'machine hour' intensive basis.

(i) State the formula to calculate the overhead absorption rate (OAR).

$$\frac{\text{Overhead cost}}{\text{Overhead hours}}$$


(1 mark)

Examiner's Comments

The candidate gave the correct formula for calculating the overhead absorption rate and is to be commended.

The response suggested that the candidate was familiar with terms such as *intensive basis* and *cost centres*.

Candidate's Response to Part (b) (ii)

(ii) Calculate the overhead absorption rate (OAR) for EACH cost centre.

Assembly Cost Centre	Finishing Cost Centre
14,750 - hours 14,750 3,500 4,000 hours 3.69 dollars per hour 14,750 - cost 4,000 = 3.69 dollars per hour	20,850 - cost 20,850 1,500 hours 20,850 - cost 1,500 - hours = 13.90 dollars per hour

(6 marks)

Examiner's Comments

This part of the question required candidates to demonstrate comprehension, numerical and critical thinking skills. The candidate earned marks for various elements, including the following.

- Using the correct indirect cost for each centre
- Working out the dominant factor to use for each cost centre: marks were awarded for the 4000 production hours used by the candidate as the dominant factor (that is, 3500 + 500 = 4000 hours)
- Correctly applying the dominant factor for each cost centre (that is, total indirect cost ÷ dominant factor)

NB: It is important to note that this response is not perfect. The response would have been exemplary had the correct calculations been arrived at for the dominant factors per cost centre. The correct answers should be as follows.

- Assembly cost centre: $14\,750 \div 3500 = \$4.21$
- Finishing cost centre: $20\,850 \div 1500 = \$13.90$.

Candidate's Response to Part (c)

High Tech Limited has received an order for some Scalextric toy cars. The production of ONE toy car requires the use of 5 kg of direct material which is purchased at \$10 per kg. The breakdown of the remaining production details is as follows.

	Assembly \$	Finishing \$
Labour hours @ \$25 per hour	3.75 hours	3.5 hours
Machine hours	5 hours	2 hours

- (c) Use the spaces provided in the tables on pages 25 and 26 to calculate and arrive at the total cost of producing ONE Scalextric toy car. Remember to apply your previously calculated OARs for the two cost centres appropriately.

Direct Materials Calculations	Materials Total Cost \$
$5 \text{ kg} \times \$10 = 1 \text{ Direct Material for Car}$	$= \$50$ 

Production Hours Calculations			
	Assembly Cost Centre	Finishing Cost Centre	Production Hours Total Cost
Labour hours	$8.75 \times 25 = 218.75$	$3.5 \times 25 = 87.5$	181.25
Machine hours	$2 \times 4.25 = 8.5$ $21.09.8$	$2 \times 13.95 = 27.8$	48.846
Totals	227.25	115.3	342.55

Overall Total Cost of Producing One Toy Car	Total Cost \$
Materials total cost	150
Production hours total cost	1250.05
Overall total cost	1400.05

(7 marks)

Examiner's Comments

The candidate correctly calculated the total cost of materials and applied the correct rates for labour and machine hours. The candidate arrived at the correct overall total. The working and steps for this question showed that the candidate was able to calculate the various costs and to follow through with the OAR rate for machine hours, using an acceptable process.

The candidate attained full marks for this part of the question.

Candidate's Response to Part (d) (i)

High Tech Limited has a 50% mark-up policy.

- (i) Define the term 'mark-up pricing':

✓ Mark up pricing is increasing the ^{cost price} amount of an item, usually by a percentage.

(1 mark)

Examiner's Comments

The candidate demonstrated an acceptable understanding of the term *mark-up pricing*. The response is an indication of the candidate's sound knowledge of the content.

Candidate's Response to Part (d) (ii)

- (ii) Calculate the total dollar value of the mark-up on ONE Scalextric toy car.

$$50\% \times \$280.10 = \underline{\underline{\$140.05}}$$

✓

(1 mark)

Examiner's Comments

The candidate was able to correctly calculate the mark-up.

This indicates that the candidate understood the application of a mark-up policy and how to execute this policy. The demands of the question required the candidate to use information taken from Parts (c) and (d).

Candidate's Response to Part (d) (iii)

(ii) Calculate the selling price of ONE Scalextric toy car.

$$\begin{array}{r} \text{Selling price} = \text{total cost } \$ 280.10 \\ + \text{Markup } \$ 140.05 \\ \hline = \$ 420.15 \end{array}$$


(2 marks)

Examiner's Comments

The candidate was able to correctly calculate the selling price of one Scalextric car. For this part of the question, the candidate was required to use the total figure from Part (c) and the mark-up figure from Part (d) (ii) to arrive at the correct selling price.

The question required the candidate to demonstrate comprehension, numerical and critical thinking skills.

Recommendations

- Teachers should utilize available open educational resources (OER) sites to view videos and access resource materials that
 - explain the concept of a cost centre
 - allow them to familiarize themselves with definitions and associated terms such as
 - indirect cost
 - overhead absorption rate
 - allocated costs vs apportionment costs
 - mark-up pricing.
- A suggested approach for the online activity is to have students simulate the manufacturing of a simple product and identify the costs to have it completed. They should be encouraged to explain their working and the totals for each cost centre.
- Teachers should review the steps involved in applying basic costing procedures for mark-up pricing and the use of absorption costing.

- For mark-up pricing, students should be taught the difference between cost price and selling price. Simulated activities can be used to produce an item for which the mark-up and selling price need to be calculated. This could be done as a brainstorming group exercise among students.
- When reviewing absorption costing, teachers should ensure that students are aware of the following steps.
 - Determining the dominant factor
 - Working out the overhead absorption rate (OAR)
 - Applying overhead to products at the worked out OAR rate
- Teachers should provide students with adequate opportunities for practice. Students can be given the task of presenting a business scenario in groups whereby they identify their costs and calculate the OAR. This could be an observation exercise in which students are allowed to draw conclusions from each group's performance. In the practice sessions, teachers should ensure that students understand that the materials' costs, labour hour costs and machine hour costs are all absorbed into the production of the product.
- Once the approaches outlined above are crystallized, teachers can, as a learning reinforcement activity, design a story/scenario with a scaffolding structure whereby students can practise calculating selling prices using mark-up pricing and absorption costing approaches.
- Finally, as this topic is relatively new in the revised syllabus, it is recommended that sufficient time be spent on teaching and learning activities so that students become more familiar with it. It was clear that this was unfamiliar territory for most candidates.

The SBA is undertaken by students attending registered schools and is conducted under the direction and guidance of teachers. Teachers mark the final individual projects and are required to submit the SBA samples selected randomly by the CXC for moderation. The SBA can contribute significantly to the overall mark awarded to students.

It should be noted that from May/June 2019, students are required to prepare SBA projects based on the newly revised CSEC syllabus, which outlines requirements for a *research-type* SBA project. In the marking of the SBA, teachers are encouraged to be guided by the rubric located in the syllabus.

Recommendations

Most of the areas which require special focus and attention are to be found in the Presentation and Analysis of Data section, in which the following were noted.

- *Analysis vs reporting*: It is to be noted that there is a difference between *reporting* and *analysing*. A description of what is already clearly seen in an accompanying graph or chart is merely a report and such a description does not qualify for the analysis (A) marks.
 - Analysis requires candidates to draw out the meaning of what is shown in the accompanying charts/graphs, in order to earn the analysis marks.
 - In order to earn the allotted analysis marks, it is highly recommended that students be taught to focus on bringing out the *meaning* of the data collected, as shown in their charts/graphs, and to focus their written dialogue on analysis, rather than solely reporting what is displayed.
- *Use of statistics with specific reference to the use of percentages*: Often, the accompanying data set of numbers or the raw data collected are not presented or made available to moderators, in order to support the verification of the percentages quoted by students in their charts/graphs or their written dialogue.
 - Use of statistics marks are interpretation/analysis (IA) marks. Thus, these two IA marks cannot be awarded in the absence of the ability to check and verify that interpretation/analysis was, in fact, correctly applied in the calculation of the quoted percentages.
 - It is recommended that where percentages are being used, students ensure that the data set of numbers for the raw data collected be made available in the project, to support verification of the calculations of all percentages being quoted. Only then can *the use of statistics* (IA) marks be validly awarded.

- *Findings*: The key takeaway for this aspect is that the marks allocated to findings are interpretation/analysis (IA) marks. Too often, students misinterpret the use and meaning of the word *findings* here and relegate themselves to writing mere 'reports', repeating the bare facts of the data collected.
 - NB. It should be noted that 'reports' attract neither analysis (A) nor interpretation (IA) marks. Examiners are looking for the application of *higher order cognitive level thinking skills*, in order to award the marks for IA /findings.
- It is recommended that following on from an analysis of the raw data presented, students look for *further interpretations and analyses*, which could reasonably be deduced or extrapolated from the previous analyses carried out. Only then can these IA marks be validly earned.
- *Recommendations section*: Often, students provide recommendations which, at face value, may be reasonable in themselves but which are seemingly plucked out of the air and inserted into the project. There tends to be no evidence in the project of the issues or matters underpinning these recommendations having been investigated or discussed and, as such, these recommendations *do not follow through from the data presented, discussed and analysed*.
 - Where there are no supporting data to be found in the research project, to show that the issues or matters underlying or relating to the proffered recommendations were investigated or researched by the student in the research project, the interpretation/analysis (IA) marks cannot be validly awarded, as there is no link existing between what was researched and the recommendations being made.
 - In order to earn the IA marks here, it is recommended that students ensure that the submitted recommendations are directly linked to and can be seen as following through from the issues/aspects/problems investigated, discussed and analysed.

PAPER 032 – ALTERNATIVE TO SCHOOL-BASED ASSESSMENT (SBA)

Paper 032, the Alternative to 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 candidates with a case or a number of mini cases that describe accounting situations. Candidates are required to respond to all questions.

Candidacy for this exam is limited to those persons who are out of the formal, secondary-level school system and who would not, therefore, be benefiting from the SBA programme. Normally referred to as private candidates, this group 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 Paper 02 exam, more than two years previously.

As per the syllabus guidelines, private candidates are tested for 90 minutes. The examination takes the form of a case study, with a minimum of 10 and a maximum of 15 questions. Paper 032 carries a total of 40 marks and contributes 20 per cent to the final mark.

Candidates are directed to use answer booklets which allocate lines and forms for their immediate responses to stimulus material. Candidates are urged to include labels and headings to demonstrate fundamental accounting knowledge. Candidates are also expected to write the figures in their responses clearly and neatly.

The performance of candidates on Paper 032 declined in June 2022 when compared with June 2021. The mean score was 16.54 compared with 20.90 in June 2021 and 18.73 in June 2020.

The case study tested various aspects of accounting in a small business.

Most candidates attempted Questions 1 to 4 although performance was uneven. Several candidates did not attempt Question 5.

Question 1

Candidate's Response to Part (a)

CASE STUDY

Asia Murrillon worked in the field of marketing for over 20 years. During the pandemic she lost her job. As a result, Asia decided to start her own business — Asia Farming Adventures — using \$500 000, drawn from a combination of her inheritance and redundancy pay.

On 1 April 2022, Asia incurred the following expenditures during the start-up phase of the business venture.

Item	Details
A	Paid legal fees for the purchase of land.
B	Repaired fence for the animals.
C	Acquired a vehicle for the farm.
D	Purchased petrol for the month for the vehicle.

- (a) From the items of expenditure above, indicate ONE capital expenditure and ONE revenue expenditure item by writing the corresponding letter in the appropriate column in the table below.

Type of Expenditure		
	Revenue	Capital
Item	D	C

(2 marks)

Examiner's Comments

The candidate earned full marks for indicating revenue and capital expenditure items.

Candidate's Response to Part (b)

During April 2022, the following five journal entries were made by an inexperienced bookkeeper. For each case, the narrative explaining the reason for the entry is correct.

General Journal				
Date 2022	Details	Folio	Debit \$	Credit \$
1 April	Cash Investment Asia invested \$100 000 in the business' bank account to start off the business.		100 000	100 000
5 April	Cash Capital Asia withdrew \$500 from the bank for her private use.		500	500
15 April	Accounts receivable: T. James Cash Paid T. James, a creditor, \$1 500 by cheque.		1 500	1 500
28 April	Purchases Bank Purchased inventory costing \$5 000; paid \$2 000 by cheque and the remainder was charged on account.		5 000	5 000

- (b) Asia has asked you to review the bookkeeper's journal entries above and to use the journal provided on page 7 to record the correct entries, as the bookkeeper should have originally recorded them. Narratives are not required.

General Journal				
Date	Details	Folio	Debit \$	Credit \$
1 April	Bank		100 000	
	Capital			100 000
05 April	Drawings		500	
	Cash			500
15 April	Accounts receivables T. James		1500	
	Bank			1500
28 April	Purchases		5000	
	Bank			2000
	Accounts Payables			3000

(4 marks)

Examiner's Comments

The response was correct for all parts, with the exception of the details shown for the debit part of the entry on 15 April. The candidate incorrectly labelled T. James as a 'receivable' rather than as a *payable* account, as the given narration indicated he was a *creditor*. The use of *Purchases* for the debit part of the entry on 28 April is an acceptable alternative as this was the first purchase of inventory for this new business. Also commendable were the use of dates for each entry. The format style of the debit and credit parts in the Details column was also consistent with accounting standards for journal entries.

Candidate's Response to Part (c) (i)

At the end of the first month of trading, the current asset ratio for Asia Farming Adventures was 0.86:1 and the net profit to sales ratio 10%.

- (i) State the conclusion that can be drawn concerning the financial position of Asia Farming Adventures based on the current ratio of 0.86:1.

Based on the current asset ratio, Asia Farming Adventures doesn't have sufficient current assets to cover their current liabilities. Only 86% of the liabilities can be covered by the current assets. (1 mark)

Examiner's Comments

A good understanding of the components of the current ratio was demonstrated in the response. There was also a reasonable interpretation of the meaning of the relative figures in this ratio, so the mark was awarded.

Candidate's Response to Part (c) (ii)

- (ii) Recommend ONE strategy which Asia may use to improve the net profit to sales ratio of the business.

* Asia can increase her revenue by increasing her selling price

(1 mark)

Examiner's Comments

The response was acceptable, showing a fair assessment of a relatable component which needed to move, and in what direction, so as to bring about the desired outcome. The mark was awarded.

Question 2

Candidate's Response to Part (a) (i)

Asia Farming Adventures sent the following source document to C & L Limited.

No. 1346			
INVOICE			
Asia Farming Adventures 24 Morna Street Deerfield <u>OMARING</u>			
To:	C & L Limited Stonehill Boulevard <u>OMARING</u>		22 April 2022
Quantity	Description	Unit Price	Total
400	Vegetable bags Less: 10% Trade Discount	\$5.00	\$2 000 <u>(\$ 200)</u>
		TOTAL	\$1 800

- (i) Translate the source document above into a transaction description.

~~Asia~~ Asia Farming Adventures sold 400
vegetable bags to C & L Limited on 22 April 2022
C & L received a 10% Trade Discount.

(1 mark)

Examiner's Comments

This was a good transaction description, which could have been made excellent had the candidate also included some information regarding the monetary value.

Candidate's Response to Part (a) (ii)

- (ii) Identify the journal which the seller would use to record this source document.

The seller will use the Sales Book / Journal
to record this source document

(1 mark)

Examiner's Comments

The correct assessment was made and the candidate was awarded the mark.

Candidate's Response to Part (b)

- (b) Prepare the account of Mauci Supermarket for May 2022 as it would appear in Asia Farming Adventures' sales ledger. Balance the account and bring down the balance on 1 June 2022.

Mauci Supermarket					
Date	Details	\$	Date	Details	\$
01 May	Bal b/d	2400	10 May	Returns Inwards - credit note	150
03 May	Sales	8500	29 May	Bank	2328
			29 May	Discount allowed	72
			30 May	Bal c/d	8350
		10900			10900
01 June	Bal b/d	8350			

(6 marks)

Examiner's Comments

The entries were made on the correct sides of the asset account. Dates and details were correctly included for each entry. The bank payment amount on 29 May was accurately calculated. The account was neatly and correctly balanced off at the end of the month. The candidate earned full marks.

Question 3

Candidate's Response to Part (a)

Asia Farming Adventures received the following documents from Poy Farming Supplies.

Date	Documents	Details
2 June	Invoice No. 234	For fertilizer and seeds, \$4 600 less 20% trade discount
8 June	Credit note No. 507	For goods returned, \$80
30 June	Receipt No. 368	For payment by cheque of the amount owing, less 2 ½% cash discount

- (a) Record the THREE transactions above in the books of Asia Farming Adventures. Forms have been provided below and on page 13 for your answers.

BOOKS OF ASIA FARMING ADVENTURES

80 3680
3600
↓
PL 3508

Purchases Journal				
Date	Details	Invoice No.	Folio	\$
²⁰²² 2 June	Poy Farming Supplies ✓	234	PL	3680 ✓

(2 marks)

Purchases Returns Journal				
Date	Details	Credit Note No.	Folio	\$
²⁰²² 8 June	Poy Farming Supplies ✓	507	PL	80 ✓

(1 mark)

Cash Book							
Date	Details	Discount Allowed	Bank \$	Date	Details	Discount Received	Bank \$
				30 June	Pay Farming Supplies	90 ✓	3508 ✓

(3 marks)

Examiner's Comments

These are excellent examples of the proper way to record entries in special journals. Dates were included for every entry. For all entries, the candidate completed the Details column by entering the name of the credit supplier from whom goods were purchased. The correct account title (*name of the account*) was used and the information was documented in the correct book. The payment made was correctly entered on the credit side of the cash book. Amounts for the purchases journal and the cash book were correctly calculated in both instances. It is to be noted that entries in a Folio column should be populated only *after* postings from journals to ledger accounts have been completed. Thus, the candidate did not have to include folio entries in the response and it would have been more appropriate to have left the folio columns blank. However, the candidate earned full marks.

Candidate's Response to Part (b) (i)

- (i) Identify the name of the ledger account to which the total of the purchases journal would be posted.

Purchases Account (Part General Ledger)

(1 mark)

Examiner's Comments

The candidate provided an excellent response and was awarded the mark.

Candidate's Response to Part (b) (ii)

- (ii) Identify the name of the ledger account to which the total of the returns outwards journal would be posted.

Returns Outwards Account (General Ledger)

(1 mark)

Examiner's Comments

The candidate provided an excellent response and was awarded the mark.

Question 4

Candidate's Response to Part (a)

The totals of Asia Farming Adventures' trial balance on 31 May 2022 did not agree.

The difference was a shortage of \$190 on the debit side. This amount was recorded in a suspense account.

The accountant then discovered the following errors.

Errors	
A	The total of the purchases account had been undercast by \$90.
B	The balance of the petty cash book, \$200, had been omitted from the trial balance.
C	The cash discounts totals from the cash book for the month of May had not been posted to the general ledger accounts. The figures were as follows: <ul style="list-style-type: none"> • Discount allowed \$50 • Discount received \$150

- (a) Beginning with the difference found in the trial balance, write up the suspense account at 31 May 2022 to correct the errors discovered by the accountant. Total and rule the suspense account. A ledger account form has been provided below for your answer.

Suspense Account					
Date	Details	\$	Date	Details	\$
31 May 22	Unagreed value	190		Purchase Account	90
	Discount received	150		Discount allowed	50
				Petty cash balance	200
		340			340

(6 marks)

Examiner's Comments

The candidate provided an excellent response. The trial balance difference was debited to the account. All entries were analysed and recorded correctly, and the account was totalled and balanced off correctly, that is, the candidate included the balance and placed double lines under the total.

The candidate earned full marks.

Candidate's Response to Part (b)

State the effect that correcting Error C would have on Asia Farming Adventures' original net profit.

Net profit would be increased by
\$100 ✓ (\$150 - \$50)

(2 marks)

Examiner's Comments

The response provided was excellent. The candidate correctly analysed and interpreted each effect regarding the two error items and concluded with a clear statement of the overall net amount and the type of effect that the correction of these two omissions would have upon the net profit previously calculated.

The candidate earned full marks.

Question 5

Candidate's Response to Part (a)

Asia Farming Adventures manufactures cocoa sticks for sale to supermarkets and restaurants around the island. Sales of units of cocoa sticks for the third quarter of 2022 are forecasted to be as follows.

Third Quarter Sales Forecast	
2022	Units
July	2 000
August	3 500
September	4 000
October	6 000

The selling price of each cocoa stick during the third quarter period is budgeted to be \$5 per unit for the first two months. The selling price will then increase to \$5.50 per unit in September 2022.

- (a) Use the form provided below to prepare a sales budget for the third quarter period ending September 2022.

Asia Farming Adventures Sales Budget for the Third Quarter Period			
Details	July Units	August Units	September Units
Expected unit sales	2000 ✓	3500	4000
Unit selling price	\$5	\$5	\$5.50
Total sales	\$10000	\$17500	\$22000

(3 marks)

Examiner's Comments

The response provided was excellent. The format and presentation used were good. The candidate earned full marks.

Candidate's Response to Part (b)

Asia's policy is to maintain closing inventory levels at 10% of the following month's forecasted sales units.

The inventory on 1 July 2022 will be 200 units.

- (b) Use the form provided below to prepare a production budget for the third quarter period ending September 2022.

Asia Farming Adventures Production Budget for the Third Quarter Period			
	July Units	August Units	September Units
<i>Units</i>			
Opening inventory	200	350	400
Production required	2150	3550	4200
	2350	3900	4600
Sales	(2000)	(3500)	(4000)
Closing inventory	350	400	600

(5 marks)

Examiner's Comments

The candidate showed evidence of having had adequate practice in the presentation of a production budget. The organization and logical flow of the statement clearly demonstrated that the candidate had sound knowledge of production budgets. The candidate earned full marks.

Recommendations

- Candidates need more practice in recording general journal entries for a variety of transactions including
 - opening entries
 - adjusting and closing entries
 - the sale of shares at par value and at a premium
 - the correction of various errors in ledger accounts
 - the correction of errors which affect the suspense account.
- Particular attention should be paid to the proper formatting for general journal entries and care taken to ensure that all journal entries include the four parts, that is, date, debit part, credit part and narration.
- The new areas of the revised POA syllabus must be given due attention. It is highly recommended that a syllabus coverage schedule be drawn up at the start of the academic year, so that strategic plans can be put in place to allow adequate time for teaching/learning activities that span all the required areas of the syllabus, inclusive of the new areas. Preparations for the final exam should, in addition to other teaching activities, include coverage of
 - sales budgets
 - production budgets
 - cash flow projections.
- Basic costing principles such as the following should also be given attention.
 - Absorption costing
 - Cost plus pricing
 - Mark-up pricing