



**CARIBBEAN  
EXAMINATIONS  
COUNCIL**

**CSEC<sup>®</sup> PRINCIPLES OF  
ACCOUNTS**



**Subject Report  
with  
Exemplars**

*May/June 2024*

**CARIBBEAN EXAMINATIONS COUNCIL**

**REPORT ON CANDIDATES' WORK IN THE  
CARIBBEAN SECONDARY EDUCATION CERTIFICATE<sup>®</sup>  
EXAMINATION**

**MAY/JUNE 2024**

**PRINCIPLES OF ACCOUNTS  
GENERAL PROFICIENCY**

**Copyright © 2024 Caribbean Examinations Council  
St Michael, Barbados  
All rights reserved.**

## Table of Contents

<b>INTRODUCTION</b> .....	1
<b>PAPER 01 — MULTIPLE CHOICE</b> .....	2
<b>PAPER 02 — PROBLEM SOLVING</b> .....	3
Question 1 .....	3
Recommendations.....	6
Recommendations.....	8
Question 2 .....	9
Question 3 .....	15
Question 4 .....	26
Question 5 .....	32

## INTRODUCTION

This guide has been compiled using candidates' responses to the 2024 May/June examination in CSEC Principles of Accounts. 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)

In May/June 2024, 18 455 candidates were registered for the examination. Overall, there was a decline in candidates' performance when compared with 2023. There was also a decline in the performance of candidates on all three profiles (Profile 1 — Knowledge/Comprehension, Profile 2 — Application and Profile 3 — Interpretation and Analysis).

## PAPER 01 — MULTIPLE CHOICE

Paper 01 consists of 60 multiple-choice items taken from the three profiles of the syllabus. In May/June 2024, the mean score was 29.48 out of 60 (49.13 per cent) and the standard deviation 10.05. The maximum score achieved by any candidate was 60.

## PAPER 02 — PROBLEM SOLVING

Paper 02 is a problem-solving paper which tests candidates in the areas of Knowledge/Comprehension, Application (of accounting principles and skills) and Interpretation of data. The paper consists of five compulsory questions drawn from the entire syllabus. Each question is worth 20 marks.

In May/June 2024, the mean score was 43.90 and the standard deviation 21.40.

### Question 1

In Question 1, candidates were required to prepare a three-column cash book based on the information given. They were also expected to balance the cash book at the end of the month and bring down the balances into the next period. In addition, they were required to total the discount columns.

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

- (a) On 1 November 2023, Jon Jon Enterprises had cash in hand of \$1 475. The business also had a bank overdraft of \$1 125 on its bank account. During November the following transactions occurred.

Date		Transactions
2023 Nov	4	Sales by <u>cheque</u> totalled \$2 635. ₪
	10	Paid the following accounts less a 5% discount by <u>cheque</u> : L. Smith, \$840 and K. Peters, \$920. ₪
	13	B. French paid \$1 900 in cash in full settlement of his account of \$2 000. ₪
	16	Cash sales paid directly into the bank totalled \$1 125. ₪
	19	Mr Jon Jon, the owner, gave the business \$3 000 by <u>cheque</u> , which must be repaid in one year's time. ₪
	27	The owner took \$800 of the cash in hand to deposit into the business' bank account. ₪
	30	Rent paid in cash totalled \$1 540. ₪

#### Required

- Using the form provided on page 5, prepare the three-column cash book.
- Balance the cash book at month end and bring down the balances into the next period.
- Total the discount columns.

(15 marks)

Jon Jon Enterprises  
Cash Book

Date	Details	F/O	Disc. All'd	Cash	Bank	Date	Details	F/O	Disc. Rec'd	Cash	Bank
2023 1 Nov	Balance	1/d		1475		2023 1 Nov	Balance	1/d			1125
4 Nov	Sales			2635	2635	10 Nov	L. Smith		42		792
13 Nov	B. French		100	1900		10 Nov	K. PETERS		46		874
16 Nov	Sales				1125	21 Nov	Bank			800	
19 Nov	Loan				2000	30 Nov	Rent			1540	
21 Nov	Cash				800	30 Nov	Balance	1/d		1035	4763
			100	3215	1560					3610	2128
				6010	4925					3375	7560
									88	6010	4925
1 Dec	Balance	1/d		1035	4763						
				3610	2128						

### Examiner's Comments

The candidate prepared the three-column cashbook in an exemplary fashion. He/she

- headed the document appropriately
- entered the opening balances for cash on hand and the bank overdraft correctly
- recorded debit and credit entries from the given transactions accurately
- balanced the cashbook using correct accounting procedures
- totalled the discounts columns at month end.

Other strengths of the candidate were as follows.

- Dating all entries correctly
- Including acceptable details for the entry on 10 November, which was a loan given to the business by the owner
- Calculating and recording all discounts correctly in the appropriate discount columns
- Correctly recording 27 November as a contra entry on both sides of the cashbook

Many candidates received most of the allotted marks. However, some candidates were weak in the following areas.

- Heading the cash book — Some candidates failed to head up the cashbook appropriately or they omitted the heading altogether.
- Recording the opening balance — Some candidates failed to include the opening balances in the cashbook or entered the bank overdraft on the incorrect side of the cashbook.
- Accounting for discounts — In some instances, the discounts were not properly accounted for. The discounts for the 10 and 13 November transactions were either not calculated correctly or they were omitted. Some candidates simply wrote '5%' in the discount columns instead of calculating and recording a dollar amount for the discounts. In some cases, the discounts columns were not totalled. In other cases, the discounts columns were incorrectly balanced off against each other.
- Recording details accurately — Some candidates did not use the correct details for the 19 November entry (loan given by the owner to the business) and others could not properly record transfer of monies from the business to the bank account (27 November).
- Recording information in the cash book — Some candidates used the sides of the cashbook incorrectly, recording the entries on the reverse sides.

## Recommendations

- Students should practise heading up the cashbook.
- Teachers should ensure that students know what each side of the cash book is used for — debit side for receipts and credit side for payments.
- Students should understand the significance of a bank overdraft and the appropriate entry that is to be made in the cashbook.
- Students should be given questions based on the following topics to practice independently.
  - Calculation of discounts
  - Applying percentages correctly

It is important that they do such calculations so that they know how to arrive at the correct dollar value.

- Teachers should ensure that they revisit balancing ledger accounts throughout the course of teaching students about the various parts of the syllabus, including handling the cashbook.

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

(b) The following information is available for Jon Jon Enterprises for the month ended 31 December 2023.

•	Balance as per the bank statement was \$9 275.
•	Cheque #103 for \$1 223 and cheque #107 for \$830 were not shown on the 31 December bank statement.
•	A deposit of \$2 270 made on 31 December was not reflected in the month-end bank statement.

**Required**

Prepare the bank reconciliation statement for Jon Jon Enterprises for the month ended 31 December 2023, to arrive at the cash book balance. **(5 marks)**

**Total 20 marks**

Jon Jon Enterprises  
 updated Bank Reconciliation Statement  
 for the year ended 31 December 2023

Balance as per Bank Statement		\$ 9 275
Add Late deposit		✓ 2 270
		<u>11 545</u>
Less un-present cheque	1 223 ✓	
	830 ✓	(2 053)
		<u>9 492</u>

### Examiner's Comments

The candidate correctly prepared the bank reconciliation statement to arrive at the cash book balance. This showed that the candidate had an excellent understanding of the process used to prepare a bank reconciliation statement. Some of the candidate's strengths were as follows.

- The bank reconciliation statement was correctly headed.
- The candidate started with the bank statement balance, as required by the question.
- The unrecorded deposits and outstanding cheques were correctly treated to arrive at the correct balance as per the cash book.

Many candidates did not attempt this part. Weaknesses exhibited by candidates included the following.

- Omitting the heading.
- Starting with the cashbook balance instead of starting with the bank statement balance to arrive at cashbook balance.
- Treating the outstanding cheques and unrecorded deposits incorrectly. Some candidates treated both the unrecorded deposits and outstanding cheques the same by either adding both or subtracting both figures. They did not differentiate between receipts versus payments or between deposits versus cheques.

## Recommendations

- Teachers should reinforce to students the importance of including a heading for any form/statement.
- Students should be given practice in using the various methods and approaches of preparing bank reconciliation statements. These methods and approaches include starting with the bank statement balance or starting with the cashbook balance or the updated cashbook balance. Practice should include working with overdrafts as well.
- Additionally, students should be taught how to use the different approaches of treating unpresented cheques and outstanding deposits.
- Students must be encouraged to read examination instructions and questions carefully and to fashion their responses according to what is required.

---

## Question 2

---

Candidates were tested on their knowledge of limited liability companies and recording journal entries. They were also tested on their ability to

- use ratios to determine a business' performance and financial position
- use ratios to calculate and interpret performance
- calculate dividend payments for different types of shares and debentures.

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

(a) (i) State ONE advantage of a limited liability company.

 Capital can be accumulated from multiple persons or sources.

(1 mark)

#### Examiner's Comments

The candidate stated one advantage of a limited liability company. He/she stated that capital could be raised from multiple sources.

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

(ii) State ONE disadvantage of a limited liability company.

 ~~Capital can be accumulated from multiple persons or~~  
Profits are shared with multiple people

(1 mark)

#### Examiner's Comments

The candidate was awarded the mark for stating that one disadvantage of a limited liability company is that profits are to be shared with multiple people.

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

- (b) In May 2023, Rosedale Company Limited sold the following shares and debentures to increase its liquidity.

2023	
May 5	180 000 \$1 ordinary shares at par
May 10	100 000 8% \$4 preference shares at par
May 17	\$150 000 5% debentures (2023–2025)

Using the form provided below, prepare journal entries to record the issue of shares and debentures for Rosedale Company Limited. **Narratives are required.**

JOURNAL			
Date	Details	Debit	Credit
5/05/23	Bank	180 000	
	Capital		180 000
	To record the <sup>sale</sup> issuance of 180 000 \$1 ordinary shares at par		
10/05/23	Bank	400 000	
	Capital		400 000
	To record the issuance of 100 000 \$4 preference shares at par		
17/05/23	Bank	150 000	
	Capital		150 000
	To record the issuance of 150 000 \$5 debentures for years 2023 to 2025		

(8 marks)

**Examiner's Comments**

The candidate demonstrated that he/she was competent in the formatting and preparation of general journal entries for the issue of ordinary shares, preference shares and debentures. The candidate was awarded marks because

- each entry was dated
- the debit part of each entry was recorded first
- the credit part of the entry followed the debit part of the entry and it was indented
- an acceptable narration was included for each entry.

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

- (c) State ONE ratio that can be used to calculate the liquidity position of the company.



Acid test Ratio =  $(\text{Current Assets} - \text{Inventory}) \div \text{Current Liabilities}$

(1 mark)

**Examiner's Comments**

The candidate correctly stated one ratio that could be used as a measure of a firm's liquidity position and so he/she was given the mark.

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

- (d) Calculate the total annual dividend payable at the end of the financial year for the transaction on 10 May 2023 listed on page 8. Show ALL working clearly.

Total annual dividend for 10<sup>th</sup> May 2023

8% x \$400 000

= \$32 000

(2 marks)

**Examiner's Comments**

The candidate correctly referenced the 10 May transaction as pertaining to the sale of preference shares. Thereafter, the candidate aptly applied the given dividend rate of eight per cent per preference share and correctly calculated that the total preference dividend payable per annum ought to be \$32 000. The candidate earned all marks allotted to this part.

Candidate's Response to Part (e)

- (e) Calculate the total annual amount payable for debenture interest expense at the end of one year. **Show ALL working clearly.**

Total annual amount payable for debenture interest expense  
for one year

✓ 5% × \$160 000  
= \$7 500

(2 marks)

**Examiner's Comments**

The candidate laid out his/her response neatly and logically, accurately applied the given five per cent rate of interest to the value of debentures and correctly calculated the annual debenture interest as \$7 500. He/she earned full marks.

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

- (f) At the end of the year's operations, Rosedale Company Limited calculated a net profit of \$48 500 before debenture interest payments.
- (i) Calculate the total amount available for paying dividends to ordinary shareholders. Show ALL working clearly.

$$\begin{aligned} \text{Net Profit} &= 48\,500 \\ \text{less debenture interest expense} & \\ &= 48\,500 - 7\,000 = 41\,000 \\ \text{less preference shares} &= 41\,000 - 32\,000 = 9\,000 \\ \text{Amount available for paying dividends to ordinary} & \\ \text{share holders} &= \$9\,000 \end{aligned}$$

(3 marks)

**Examiner's Comments**

Firstly, the candidate showed that ordinary shareholders receive dividends only after all preference dividends and debenture interest expense have been fully paid. The response was clearly and neatly laid out and the candidate carried over the calculations for total debenture interest expense and total preference shares dividends, both of which were accurately deducted from the given net profit figure. He/she successfully calculated that \$9 000 was the total amount available for paying dividends to the ordinary shareholders. The candidate earned all the allotted marks for giving a perfect response.

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

- (ii) Calculate the percentage return on investment for ordinary shareholders. Show ALL working clearly.

Percentage Return for Ordinary shareholders

$$= \frac{9000}{180000} \times 100 = 5\%$$

Ans. - 5% return on investment

(2 marks)

**Examiner's Comments**

The candidate carried over his answer from Part (f) (i) which represented the ordinary shareholders' return or income. Doing such showed that he/she had a good interpretation and comprehension of the topic and subject matter being tested. The candidate used the correct formula for calculating ROI and accurately extracted the figure for the total value of the ordinary shareholders' investment from Part (b). The resulting calculation was accurately executed and so the candidate arrived at the correct answer and thus earned full marks.

### Question 3

Candidates were required to draw up the income statement to determine gross and net profit, calculate annual depreciation using the reducing balance method and prepare adjusted financial statements. In addition, they were tested on their knowledge of features of partnership-interest on drawing and capital, salaries, and shares of profits.

In addition, their ability to prepare an appropriation account of partnership and use various methods to share profit/loss among partners was tested. Candidates' knowledge of the significance of balance brought down on partners' current account was tested. They were also required to prepare the current account of a partner.

#### Candidate's Response to Part (a) — Sample 1

Ban and Jay are partners sharing profits and losses in the ratio of 3:2 respectively. At the end of the financial year, 31 December 2023, the following balances were extracted from the books of the partnership after calculation of the gross profit.

	\$
Gross profit	284 000
Operating expenses	107 000
Non-current assets @ cost price	695 000
Acc. provision for depreciation on non-current assets @ 1 January 2023	215 000

add ①  
 ↗  
 add 11  
 .. 2000

	Ban	Jay
Current accounts	\$11 000 Dr	\$7 300 Cr
Drawings	\$37 000	\$26 000
Interest on drawings	\$3 200	\$2 700
Partnership salary	—	\$36 000
Capital accounts	\$280 000	\$260 000
Interest on capital	8 400	3% 7 800
Loan to the partnership	\$25 000	—
Interest on loan	8% 2 000	—

#### Additional information

- Closing inventory at 31 December 2023 had been understated by \$3 500.
- Non-current assets are to be depreciated by 20% per annum, using the reducing balance method.

**Required**

- (a) Prepare the income statement for the partnership for the year ended 31 December 2023, using the balances and the additional information provided.

Ben and Jay Income Statement for the year ended 31 December 2023		
Gross Profit	✓	287500 Implied \$284000
less Expenses:		
Operating Expenses	107000 ✓	
Prov. for dep.	384000	
Interest on loan	200 ✓	
		(493000)
Net Profit		- 205500

(9 marks)

## **Examiner's Comments**

### Income Statement

The candidate included a correct heading for the income statement and demonstrated that he/she had good knowledge of the fact that interest on loan is an expense item that needs to be deducted as an operating expense in the income statement. The gross profit figure was accurately adjusted to \$287 500 with the addition of the understated closing inventory amount of \$3 500. The loan interest amount was correctly calculated as \$2 000 and all operating expenses were deducted from the gross profit. This showed that the candidate had good knowledge of the process that was to be employed to arrive at net profit and was able to apply it. However, the candidate experienced difficulty calculating the amount that ought to be charged for provision for depreciation for the year, using the reducing balance method. This resulted in an incorrect calculation for the net profit amount in the end. The candidate calculated a net loss instead of a net profit. Candidates need to practise calculating the annual charge for depreciation, especially where an accumulated provision for depreciation is given and the use of the reducing balance method is required.

Candidate's Response to Part (a) — Sample 2

Required

- (a) Prepare the income statement for the partnership for the year ended 31 December 2023, using the balances and the additional information provided.

Ban and Jay		
Income Statement for the year ended 31 December 2023		
Gross profit b/f: :	✓	284,000
Add Closing stock understated		3,500
Less Expenses		<u>287,500</u>
Operating Expenses	✓	107,000
Depreciation:		
<del>Non-current Assets</del>	<del>695,000</del>	
Less Depreciation (695,000 x 20%)	139,000	
Loan Interest (25,000 x 8%)	✓ 2,000	✓ <u>248,000</u>
Add Income:		39,500
Reduction in Provision for Depreciation		<u>43,000</u>
Net Profit		<u>82,500</u>

(9 marks)

### **Examiner's Comments**

The candidate garnered all but one of the total marks for this part.

The candidate completed the income statement, demonstrating mastery in preparing this financial statement.

The candidate was able to do the following correctly.

- Head the financial statement correctly showing all three components, which were the business' name, the name of the financial statement and the period or date under review.
- Use the gross profit figure and correctly adjust it to reflect the previously understated closing inventory amount.
- Correctly calculate the loan interest and include it as an expense item.
- Use the correct process for calculating the net profit.

Area of difficulty

- The candidate struggled with calculating a correct annual charge for depreciation expense accurately using the reducing balance method.

Candidate's Response to Part (b) — Sample 1

- (b) Prepare the appropriation account for the partnership for the year ended 31 December 2023.

Ben and Jay Appropriation Account for the year ended 31 December 2023		
Net Profit		- 205 500
add: Int. on drawings		
<del>Ben</del> Ben	3 200	
Jay	2 700	5 900 ✓
		- 19 960
Salary:		
<del>(4 000)</del> Jay	3 600	✓
Int. on Capital:		
Ben	8 400	
Jay	7 800	( 5 220) ✓
		- 251 800
Share of losses:		<del>251 800</del>
Ben ( $\frac{3}{5} \times - 251 800$ )	- 151 080	
Jay ( $\frac{2}{5} \times - 251 800$ )	- 100 720	- 251 800
		0

(6 marks)

## **Examiner's Comments**

### Appropriation Account

The candidate prepared the appropriation account competently and so earned all the allotted marks. All computations for interest on drawings, interest on capital and partners' final shares were correctly calculated. In addition, all interpretation and processes used were correctly applied for when a net loss (negative net profit amount) is to be appropriated.

The candidate transferred his/her own figure for the net loss amount from the income statement to the appropriation account to begin the process of calculating the balance of profit/shares of profit. The candidate gave the net profit as a negative amount, which meant that he/she was using a net loss amount. He/she obtained all the allotted marks.

### Areas of good performance

Deducting the interest on drawings from the net loss — the candidate had a net loss to start with. He/she correctly interpreted that interest on drawings would reduce the total net loss to be shared between partners.

Adding salary due to a partner and interest on capital to be paid to partners — These aspects increase the total net loss to be shared. The candidate proceeded to correctly apply the profit-sharing ratio (3:2) to the total net loss to divide it between the partners as the per agreement.

Candidate's Response to Part (b) — Sample 2

- (b) Prepare the appropriation account for the partnership for the year ended 31 December 2023.

Ban and Jay Appropriation Account for the year ended 31 December 2023		
Net Profit b/f		82 500
Appropriation + Interest on Drawings:		
: Ban:	3 200	
Jay	2 700	5 900
		= 88 400
Less Salary (Jay)		36 000
Less Interest on Capital:		5 240
Ban ( $280\,000 \times 3\%$ )	8 400	
Jay ( $260\,000 \times 3\%$ )	7 800	16 200
Share of Profits		36 200
Ban ( $36\,200 \times \frac{3}{5}$ )	21 720	
Jay ( $36\,200 \times \frac{2}{5}$ )	14 480	36 200

(6 marks)

### **Examiner's Comments**

The candidate showed aptitude in the preparation of the appropriation account. He/she

- began by transferring the net profit figure from the income statement
- accurately calculated and treated all other relevant figures
- added interest on drawings to net profit
- deducted interest on capital and salary
- arrived at a balance of profits
- accurately applied the profit-sharing ratio to distribute profit between partners as per the agreement.

Furthermore, the document's format was organized and systematic, showcasing the candidate's precision and meticulous attention to detail.

Candidate's Response to Part (c)

(c) Prepare Jay's current account for the year ended 31 December 2023.

Jay's Current Account for the year ended 31 December 2023					
Date	Details	\$ Amount	Date	Details	\$ Amount
2023			2023		
Dec 31	Drawings ✓	26000	Dec 31	Balance b/f ✓	7300
Dec 31	Interest on Drawings	2700	Dec 31	Salary ✓	36000
Dec 31	Balance c/d	36880	Dec 31	Interest on Capital	7800
			Dec 31	Share of Profits	14480
		<u>65680</u>			<u>65580</u>
			2024		
			Jan 1	Balance b/d	36880

(5 marks)

### **Examiner's Comments**

In preparing the current account, the candidate demonstrated thorough competence by

- properly heading the account with the name of the partner, the name of the account and the period under review
- correctly placing Jay's opening balance on the appropriate side of the account
- employing the double-entry principle correctly — debited drawings and interest on drawings and credited salary, interest on capital, and share of profits
- successfully balancing the account and bringing down the balances into the start of the next financial period.

The candidate's approach was meticulous and accurate.

## Question 4

Candidates were tested on their knowledge of how to

- prepare a simple production budget for a three-month period
- prepare a simple sales budget (sales target)
- calculate gross pay, net pay, overtime and statutory deductions
- prepare source documents.

Candidates were also tested on their knowledge of forms of payments.

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

4. Arianna manufactures a component which is used in the production of cellphones. Sales of the component for each of the first three quarters of 2023 are forecast as follows.

2023 Sales Forecast	
Quarter	Units
1: January–March	5 100
2: April–June	6 300
3: July–September	6 760

Arianna has been operating with a policy whereby she maintains a closing inventory sufficient to cover 5% of the next quarter's sales. Arianna forecasts that sales in the last quarter of 2023 will be 8 880 units.

#### Required

- (a) Prepare a production budget for EACH of Quarters 1 to 3 of 2023.

Arianna's Production Budget For 1 <sup>st</sup> 3 quarters of 2023			
	Quarter 1 January–March Units	Quarter 2 April–June Units	Quarter 3 July–September Units
budgeted sales	5100	6300	6760
Add desired closing inventory	315 ✓	338	444
	5415 ✓	6638	7204
Less beginning inventory	-(255) ✓	-(315)	-(338)
Production Required	<u>5160</u>	<u>6323</u>	<u>6866</u>

(7 marks)

### **Examiner's Comments**

The candidate successfully prepared a production budget, which spanned three quarters and encompassed all necessary components. It concluded with accurate calculations of production figures required for each quarter.

Adhering to the company's policy of maintaining a closing inventory equivalent to five per cent of the next quarter's sales, the candidate computed the closing inventory accurately for each of the three quarters and also determined the correct opening inventory for the first quarter.

However, many candidates encountered difficulties in completing the production budget. Such candidates experienced the following challenges.

- Failure to provide or inaccuracies in providing the opening inventory figure of 255 units for the 1st quarter — Candidates demonstrated insufficient comprehension of the need to also apply the five per cent inventory policy to the first quarter's sales to determine the opening inventory for that quarter.
- Mishandling of inventory procedures — Many candidates mistakenly added the opening inventory and deducted closing inventory from sales figures instead of reversing these treatments in the preparation of a production budget.

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

- (b) The selling price per unit during the budget period will be \$8 per unit. How many units should Arianna plan to sell if she wishes to achieve a sales revenue target of \$45 000 in a quarter?

$S.P = \$8$ Sales Revenue Expected = \$45 000 $\text{Units needed to sell} = \frac{\text{Sales Revenue}}{S.P \text{ per unit}} = \frac{\$45 000}{\$8}$ $\text{Units needed to sell} = \underline{5625 \text{ units}}$  ∴ the amount of units that Arianna should plan to sell in order to gain a revenue of \$45 000 is <u>5625 units</u> .	<u>Note</u> S.P = Selling Price
---	------------------------------------

**(3 marks)**

**Examiner's Comments**

The candidate demonstrated an excellent understanding of the question and accurately calculated that 5625 units needed to be sold in order to achieve a sales revenue of \$45 000. He/she earned full marks.

Many other candidates were also able to earn full marks for this part. However, several candidates made an error by multiplying the sales revenue (\$45 000) by the selling price (\$8) instead of dividing the sales revenue by the selling price.

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

- (c) Arianna employed Salina Smith, as a production worker. Salina is required to work a 40-hour week and is paid at the rate of \$200 per hour. Hours worked in excess of 40 hours are overtime and are paid at the rate of time and a half. During the second week of April, Salina worked a total of 44 hours.

- (i) Calculate Miss Smith's gross pay for the week.

$$\text{Regular week pay} = 40 \text{ hours} \times \$200 \\ = \$8000$$

$$\text{Over time pay} = 4 \text{ hours} \times (\$200 \times 1.5) \\ = 4 \text{ hours} \times \$300 \\ = \$1200$$

$$\text{Gross pay for the week} = \text{Regular week pay} + \text{Overtime pay} \\ = \$8000 + \$1200 \\ = \$9,200$$

(4 marks)

**Examiner's Comments**

The candidate correctly calculated the gross pay. The response was clearly laid out, making it easy to follow and there was a good differentiation between the calculations of pay due for regular work and for overtime work.

The candidate correctly used the overtime rate of time and a half to calculate the overtime pay rate of \$300. This rate was then applied to the four overtime hours to arrive at overtime pay. The candidate concluded his/her computation to arrive at the gross pay by adding the normal and overtime pay amounts accurately.

Although many candidates demonstrated knowledge of gross pay, that is normal pay plus overtime pay, while doing this part, some of them failed to identify the four overtime hours and/or correctly calculate the overtime rate of pay, which resulted in an incorrect gross pay amount.

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

For the month of April, Salina Smith earned a gross pay of \$33 200. The following data is to be applied to gross pay.

National insurance (Social Security) deduction	5%
Income tax deduction	10%
Monthly credit union contribution	\$300

(ii) Calculate Miss Smith's net pay for the month.

$$\begin{aligned} \text{National Insurance} &= 5\% \times \$33\,200 & \text{Monthly credit union} &= \$300 \\ &= \$1\,660 \\ \text{Income Tax} &= 10\% \times \$33\,200 \\ &= \$3\,320 \\ \text{Net Pay} &= \$33\,200 - (\$300 + \$3\,320 + \$1\,660) \\ &= \$33\,200 - \$5\,280 \\ &= \$27\,920 \end{aligned}$$

(3 marks)

#### Examiner's Comments

The candidate demonstrated excellent comprehension of the concept and of how to calculate net pay. The percentage rates were correctly applied to the gross pay to determine the NIS and income tax amounts. The amount for the credit union dues was included in the total deductions in order to arrive at the correct net pay figure of \$27 920. The response was also neatly and clearly laid out, making it easy to follow.

Part (c) (iii) was generally well answered however a few common errors were observed. These included the following.

- The income tax rate of 10 per cent was not applied directly to the gross pay as instructed. Many candidates first calculated and deducted the NIS amount (\$1 660) from gross pay (\$33 200) before ascertaining the income tax amount.
- Some candidates did not treat the credit union dues as a deduction. It was either added to the gross pay before other deductions were made or not included in any of the calculations at all.
- In a few instances, some candidates used the gross pay amount calculated in Part (c) (i) to calculate net pay instead of using the gross pay figure (\$33 200) given in Part (ii). This was an indication that some candidates may not have read the question thoroughly.

**Candidate's Response to Part (c) (iii)**

- (iii) Complete the following cheque for the net pay amount which is due to Salina Smith at the end of April.

DATE <u>April 30<sup>th</sup> 2024</u>	
PAY TO <u>Salina Smith</u>	
THE SUM OF <u>Twenty seven thousand nine hundred and</u>	
<u>twenty</u>	Dollars
<u>zero</u>	Cents
\$ <u>27920.00</u>	<u><del>Ali</del> Alianna</u>

(3 marks)

**Examiner's Comments**

The candidate completed the cheque neatly and correctly using the answer from Part (c) (ii). All the essential parts for a valid cheque were correctly shown, including an acceptable date, the payee's full and correct name, matching amounts in words and figures, as well as an appropriate signature.

Overall, this part was well answered; however, the most common error made was the inclusion of an unacceptable date such as 31 April 2023 or an incomplete date (either the year or day was missing). Cheques written with date errors would not be honoured by a bank because they would be deemed unacceptable.

A less common error seen was that the amounts written in words and figures on the cheque failed to match.

## Question 5

Candidates were tested on their knowledge of the effect of transactions on balance sheet items, their ability to distinguish between type of transactions and types of discounts and their ability to classify accounts. In addition, their knowledge of the significance of debit and credit rules of entry for assets, liabilities, income, capital and expenses was tested. They were required to draw up a simple account, distinguish between capital expenditure and revenue expenditure and identify the effect of profit and loss on capital.

### Candidate's Response to Question 5 — Sample 1

Bobby, a sole proprietor, presented the following list of transactions for the month of May 2023.

		\$
2023 May 1	Owner made a <u>bank deposit</u> from his personal resources.	75 000
6	Withdrew <u>cash</u> from the <u>bank</u> for business use.	4 000
8	Proceeds of <u>sales</u> for the week were <u>banked</u> .	55 000
9	Used <u>cheque</u> to purchase a used delivery van with extra spare parts. Use a delivery van and spare parts account.	24 800
12	<u>Bought inventory on credit from Rob Smith</u> . The terms were 5/10, net 30.	17 000
13	<u>Sold inventory</u> on credit terms of 2/10, net 30 to S. Peters.	9 000
15	<u>Cash sales</u>	3 600
18	Paid <u>cash</u> for petrol and servicing of delivery van.	800
21	Settled account with Rob Smith in full by <u>cheque</u> .	
25	Paid <u>cash</u> for miscellaneous business expenses.	1 900
26	Bobby paid his home insurance premium in <u>cash</u> .	2 500
27	Settled the business' electricity bill by <u>cheque</u> .	500
28	S. Peters settled his account in full by <u>cheque</u> .	
29	Owner made a <u>bank withdrawal</u> for his personal use.	5 000
31	Received total of \$1 200 <u>cash</u> from the sale of some old van spare parts and realized a profit of \$200 on this sale.	

### Required

Working in chronological order (in order of date) and using the forms provided on pages 20 to 23, record the double entries for the transactions given above in the relevant ledger accounts. **Be sure to name the ledger accounts appropriately.** After an account has been opened, use the same account throughout for recording subsequent transactions.

Bank					
Date	Details	1 <sup>st</sup> \$	Date	Details	\$
2023 May 3	Sales	55000	2023 May 1	Drawings	75000
28	Account receivable	8820	May 6	Cash	4000
			May 9	Delivery vans spare parts	24800
			May 21	Account payable	16150
			May 27	Electricity Bill	500
	Balance y/d	61,630	29	Drawings	3000
		<u>125450</u>		Balance b/d	<u>125450</u>

19000

Cash					
Date	Details	\$	Date	Details	\$
2023 May 6	Bank	24000	May 8	Petrol & servicing van	800
May 15	Sales	3600		Miscellaneous exp	
31	Sales	1400	May 23	Miscellaneous exp	1900
			- 26	Drawings	2500
	Balance b/d	3800		Balance b/d	3800
		<u>9000</u>			<u>9000</u>
	Balance b/d	<u>3800</u>			

Sales					
Date	Details	\$	Date	Details	\$
			2023 May 3	Bank	55000
				Cash	3600
				Cash	1400
31	Balance y/d	60000			
		<u>60000</u>			<u>60000</u>
	31st Balance b/d	<u>60000</u>			

Drawings					
Date	Details	\$	Date	Details	\$
2023 May 1	Bank	75000			
26	Cash	2500			
29	Bank	5000	31	Balance y/d	82500
		<u>82500</u>			<u>82500</u>
	31st Balance b/d	<u>82500</u>			

Delivery Van & spare parts a/c

Date	Details	\$	Date	Details	\$
May 1	Bank	24800			
				Balance c/d	24800
		<u>24800</u>			<u>24800</u>
	Balance b/d	24800			

Inventory

Date	Details	\$	Date	Details	\$
May 2	Account payable	17000	May 13	Account receivable	9000
			31	Balance c/d	8000
		<u>17000</u>			<u>17000</u>
	Balance b/d	8000			

Accounts Payable

Date	Details	\$	Date	Details	\$
May 21	Bank	16150	May 12	Inventory	17000
	Discount received	850			
		<u>17000</u>			<u>17000</u>

Account receivable

Date	Details	\$	Date	Details	\$
May 13	Inventory	9000	May 28	Bank	<del>8000</del>
			May 28	Discount allowed	150
		<u>9000</u>			<u>8000</u>

BOD → 8820

Petrol and servicing - Delivery Van

Date	Details	\$	Date	Details	\$
May 13	Cash	800	31	Balance c/d	800
		<u>800</u>			<u>800</u>
	Balance b/d	800			

Discount received

Date	Details	\$	Date	Details	\$
31	Balance c/d	850	May 21	Account Payable	850
		<u>850</u>			<u>850</u>
	Balance b/d	850			

~~Discount Allowed~~

Date	Details	\$	Date	Details	\$
May 28	Account receivable	180	31	Balance f/d	180
		<u>180</u>			<u>180</u>
Jan 1	Balance b/d	180			

~~W.~~


Electricity Bill

Date	Details	\$	Date	Details	\$
May 27	Bank	500	31	Balance f/d	500
		<u>500</u>			<u>500</u>
Jan 1	Balance b/d	500			

Miscellaneous expenses

Date	Details	\$	Date	Details	\$
May 28	Cash	1900	31	Balance f/d	1900
		<u>1900</u>			<u>1900</u>
Jan 1	Balance b/d	1900			

### Examiner's Comments

The candidate successfully opened and appropriately named 12 of the anticipated 14 ledger accounts. Since there was only one debtor and one creditor mentioned in the question, not including the names of the debtor and creditor in the account title was condoned. There was no transaction which required the discount allowed to be applied so no marks could be awarded for this account or its entries. The candidate earned almost all the Knowledge/Comprehension marks allotted.

Of the 33 individual entries that the question demanded, the candidate successfully recorded 27 of them and earned all but one of the total allotted Application marks.

Some of the aspects that were done particularly well and for which Interpretation/Analysis marks were awarded included the following.

- The contra entry on 6 May was properly recorded.
- The owner's personal expenses paid and withdrawals were debited to a separate drawings account.
- The candidate recognized that the creditor's account was settled within the discount period, as per given credit terms, and the discount received was accurately calculated and recorded, in settlement of the payable account on May 27.
- Although the debtor was not entitled to a discount under the terms of the agreement, the candidate settled the debtor's account in full, on 28 May, as instructed.

The challenge for the candidate was not correctly analysing, interpreting and recording the given transaction for 31 May. Candidates were told "\$1 200 was received in cash from the sale of an asset, spare parts, and realized a profit of \$200 on this sale."

There were two important actions that should have been taken. These were as follows.

- The account for the asset being sold was to be reduced/credited with only \$1 000 and the cash account debited with the receipt of this \$1 000
- the additional \$200 profit received in cash (another DR entry required to cash account) should have a corresponding credit entry recorded or shown in a revenue account.

The \$200, which they were told was a profit made, could have been credited to the profit and loss account or credited to any other revenue account that candidates could have named appropriately. Candidates could have also credited the \$200 profit to the capital account or drawings account of the owner because of the principle that states the profit belongs to the owner.

This candidate left out all aspects for the recording of this transaction.

Candidate's Response to Question 5 — Sample 2

Bank					
2023 May 1	Capital	75000	2023 May 6	Cash	4000
8	Sales	55000	9	Delivery van and Spare Parts	24800
28	S. Peters	9000	21	Rob Smith	6150
			27	Electricity Expense	500
			29	Drawings	5000

Capital					
			2023 May 1	Bank	75000

Cash					
2023 May 6	Bank	4000	2023 May 18	Delivery Van Expenses	800
15	Sales	3600	25	Miscellaneous Expense	1900
31	Delivery van and Spare parts	1000	26	Drawings	2500
31	Revenue	200			

Sales					
			2023 May 8	Bank	55000
			13	S. Peters	9000
			15	Cash	3600

Delivery Van and Spare Parts					
2023 May 9	Bank	24800	2023 May 31	Cash	1000

Rob Smith					
2023 May 21	Bank	16150	2023 May 12	Purchases	17000
2023 May 21	Discounts Received	850			

Purchases					
2023 May 12	Rob Smith	17000			

S. Peters					
2023 May 13	Sales	9000	2023 May 28	Bank	9000

Delivery Van Expenses					
2023 May 18	Cash	800			

<del>Discounts Allowed</del> Received					
			2023 May 21	Rob Smith	850

Miscellaneous Expense					
2023 May 25	Cash	1000			

Drawings					
2023 May 26	Cash	2500			
29	Bank	5000			

Electricity Expense					
2023 May 27	Bank	500			

Revenue					
			2023 May 31	Cash	200

### Examiner's Comments

The candidate's attempt at this question was outstanding as evidenced by the accounts opened and the entries made. This showed that the candidate had an excellent grasp of posting entries to ledger accounts. All fourteen of the required ledger accounts were successfully opened and appropriately named and so the candidate earned all the marks for Knowledge/Comprehension. An account simply called revenue was opened to treat the profit on the sale of the old van spare parts. To the candidate's credit, individual expense accounts were opened to treat the different expenses. The name Rob Smith could have been used to identify a Payable account and S. Peters could have been used to identify a receivable account. Doing so would have made the naming of the accounts ideal.

The candidate successfully posted the required 33 entries to the opened ledger accounts using proper double-entry procedures and so he/she was awarded all the allotted Application marks. The entries were seamless and in chronological order, suggesting that the candidate had an outstanding grasp of double-entry procedures and was well-practised in posting entries to ledger accounts.

The candidate demonstrated that he/she had a good understanding of all the transactions and was able to earn the allotted Interpretation/Analysis marks. Some of the things that were particularly well done were as follows.

- The contra entry on 6 May was properly recorded.
- The owner's personal expenses paid and withdrawals were debited to a separate drawings account.
- The candidate recognized that the creditor's account was settled within the discount period, as per the given credit terms.
- The discount received was accurately calculated and recorded, in settlement of the payable account on 27 May.
- The candidate recognized that the debtor was not entitled to a discount under the terms of the sale on 13 May and, therefore, the original sale amount of \$9 000 was required on 28 May to settle the account in full.
- The candidate treated the sale of the asset on 31 May accurately by recognizing the asset account was to be reduced by \$1 000 and the \$200 profit was to be recorded in a profit or revenue account.

The candidate earned full marks for an outstanding response.