



CARIBBEAN EXAMINATIONS COUNCIL

CAPE[®] ACCOUNTING UNIT 1



Subject Report

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CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION**

MAY-JUNE 2025

**ACCOUNTING
UNIT 1**

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INTRODUCTION

The CAPE Accounting examination comprises the following papers.

- Paper 01 This consists of 45 multiple-choice items, 15 items from each of the three modules.
- Paper 02 This paper consists of three questions, a mixture of computations and short essays. Each module is covered by a separate question.
- Paper 031 This is the school-based assessment (SBA), marked by the class teacher and moderated by CXC.
- Paper 032 This is the alternative to the SBA. The paper is designed to mirror the SBA. It accommodates private candidates from the out-of-school population.

After four consecutive years of decline, candidate entries for Unit 1 increased from 1549 in 2023 to 1689 in 2024. This was sustained in 2025 when 1687 candidates were entered for the examination. In comparison with the number of entries, the number of candidates who sat the examinations were 1490 in 2023, 1602 in 2024 and 1530 in 2025.

This year (2025) for Unit 1, 88.37 per cent of candidates achieved acceptable grades, Grades I–V when compared with 76.47 per cent in 2024 and 91.14 per cent in 2023.

When compared with the module performance in 2024, all three modules (Module 1, Accounting Theory; Module 2, Preparation of Financial Statements and Module 3, Financial Reporting and Interpretation) registered increases in performance.

PAPER 01 — MULTIPLE CHOICE

Candidates' performance on the multiple-choice items produced a mean score of 70.17 per cent compared with 68.34 per cent in 2024 and 79.25 per cent in 2023. The 2025 score reflects a small improvement over the previous year which had been registered as a noticeable decline in performance.

PAPER 02 — STRUCTURED ESSAY

This paper comprises three compulsory questions which assessed content from all three modules.

- Module 1 — Accounting Theory, Recording and Control Systems
- Module 2 — Preparation of Financial Statements
- Module 3 — Financial Reporting and Interpretation

The mean mark for this paper was 32.16 per cent compared with 21.86 per cent in 2024 and 32.47 per cent in 2023.

Question 1

For Part (a) (i), which required candidates to define the term *accrual accounting*, many candidates confused accrual accounting principles with cash accounting principles. Some responses lacked clarity in distinguishing between revenue recognition and expense matching. A significant number of candidates failed to mention the timing aspect, that is, when transactions are recorded versus when cash flows occur. Some candidates did not respond to the question.

Recommendations for Teaching and Learning

- There needs to be more emphasis on accrual accounting concepts.
- Teachers need to provide more practical examples that can help students distinguish accrual accounting from cash accounting.
- Timeline diagrams can be used to illustrate when transactions are recorded versus when cash flows occur.
- Real-world scenarios should be incorporated into practice exercises.
- The matching principle can be emphasized through case studies.

Part (a) (ii) asked candidates to provide one need that three different users of an accounting information system would have. Many candidates provided generic responses rather than specific needs for each user group. Some candidates confused the roles of external auditors with those of internal auditors and governments' needs were often oversimplified as mere tax collection, overlooking regulatory compliance. In addition, several candidates failed to distinguish the distinct information needs of each user group.

Recommendations for Teaching and Learning

Teachers should

- create role-playing exercises where students can represent or identify different user groups
- develop scenarios showing how various users would utilize the same financial information differently
- use current business news to illustrate diverse stakeholder needs
- provide templates for structuring responses to theoretical questions.

Part (a) (iii) proved challenging for many candidates. Given six steps of the accounting cycle for revenue transaction, randomly ordered, candidates had to complete a table to show the correct sequence of those steps. Candidates demonstrated poor understanding of the logical sequence of the accounting cycle steps. Specifically, many candidates confused the order of posting to ledgers and preparing trial balances. There was also significant confusion about when adjustments should be made in the cycle. Some candidates appeared to guess rather than demonstrate understanding of the process.

Recommendations for Teaching and Learning

Teachers should

- use flowcharts and visual aids to demonstrate the sequential nature of the accounting processes
- provide hands-on practice with complete accounting cycles
- emphasize the logical flow from transaction to financial statement preparation
- use technology tools to simulate computerized accounting systems.

For Part (b), candidates were provided with a list of balances brought forward and transactions that occurred for a given period. Two questions were then posed.

For Part (b) (i), candidates were asked to determine the amount of income that should be reported. Many candidates failed to properly calculate the depreciation expense from the given provisions. There was also the incorrect treatment of prepaid insurance, with some candidates expensing the full amount. Additionally, a poor understanding of accrual basis adjustments for wages expense was noted and some candidates included irrelevant items in their income calculations. Also, there were computational errors in basic arithmetic operations.

For Part (b) (ii), candidates had to determine the balances for the current assets and current liabilities for each item that had to be reported in the statement of financial position at the end of the period. Candidates demonstrated difficulty in calculating cash balances using the cash flow approach. Many candidates failed to recognize accounts receivable from the revenue and cash received figures. There was poor understanding of prepaid expenses and accrued liabilities. Several candidates confused current assets with non-current assets and there was inadequate working for calculations.

Recommendations for Teaching and Learning

Teachers need to

- increase practice with accrual adjustments calculations
- provide more complex scenarios requiring multiple adjustments
- emphasize the importance of showing detailed working
- use spreadsheet exercises to reinforce calculation skills.

Part (c) (i) required candidates to state two advantages of IFRS for SMEs. Many candidates could not identify specific advantages. Some candidates confused IFRS for SMEs with full IFRS. In some instances generic responses were given. For example, candidates wrote ‘easier to understand’ without providing specific technical details. Some candidates provided no response.

Recommendations for Teaching and Learning

Teachers should

- dedicate specific lessons to IFRS for SMEs, comparing them with the full IFRS
- use comparative analysis exercises
- invite practitioners to discuss real-world applications
- provide updated materials that reflect current standards.

Part (c) (ii) asked candidates to identify three controls that are necessary in the electronic data processing (EDP) environment. Some candidates listed general controls rather than EDP-specific controls. In other instances, there was confusion between preventive and detective controls. In addition, there was inadequate understanding of technological control measures and some responses were too vague to earn any marks.

Recommendations for Teaching and Learning

Teachers should

- incorporate technology-focused control discussions
- use case studies of control failures and their consequences
- demonstrate actual control procedures through system simulations
- connect control concepts to current cybersecurity practices.

For Part (d), candidates had to prepare journal entries (without narratives) to record transaction with which they were provided. Most candidates understood the basic structure of journal entries and performed well on initial share issuance entries. Most candidates calculated the 9600 correctly, but failed to apply the entry and did not know how to treat the 105 600.

Candidates also demonstrated significant difficulty with preference share redemption entries. Many candidates failed to recognize the need for a capital redemption reserve and there was some confusion about the treatment of the redemption premium. Additionally, there was poor understanding of the effect on retained earnings and several candidates used incorrect account titles.

Recommendations for Teaching and Learning

Teachers should

- provide extensive practice with various share capital scenarios
- use step-by-step approaches for complex transactions
- emphasize the distinction between different types of shares and their accounting treatment
- create templates for common journal entry patterns.

Overall Recommendations for Assessment Preparation

- Conduct regular timed practice sessions.
- Provide students with feedback regarding the structure and presentation of their responses.
- Emphasize examination techniques and time management skills.
- Use past paper analysis to identify recurring weak areas and focus on those areas.

Question 2

Part (a)

Candidates were asked to distinguish between a sole trader and a public company as it relates to specific features. In many cases, candidates earned most of their marks from this section. For some, it was the only section attempted. The following comments deal with each feature on an individual basis.

Ownership: Most candidates correctly stated that *in sole trading, the trader is the only owner, while public companies are owned by many shareholders*. Some responses indicated, erroneously, that ‘there is a maximum number of shareholders’, while a few stated that ‘public companies are those owned by the government’.

Legal status: Most candidates responded by stating that the sole trader is not a legal entity or an unincorporated entity, while public companies are legal entities and incorporated bodies. A few candidates reversed these characteristics. Some candidates spoke about the requirement to publish financial statements. Others made comparisons based on the need to be registered, stating that the sole trader does not need to be registered.

Continuity of business: Most candidates correctly stated that the sole trading venture lacks continuity, while public companies have indefinite lives. However, several candidates ignored continuity and chose to focus on transferability and the going concern concept.

Acquisition of capital: Most candidates could identify personal investment and personal loans as the primary sources of the sole trader’s capital. For public companies, most candidates stated that capital came from the sale of shares and, in a few cases, corporate loans. Some candidates noted a difference in the difficulty of raising capital, with sole traders finding it challenging, whereas public companies find it easier. However, some candidates made references to partners instead of shareholders for the public company. Some stated that the government provided capital for public companies.

Taxation: Many candidates indicated the understanding that the burden of taxation lies on the sole trader personally, while for a company, the burden lies on the business. Some candidates stated that the sole trader faces single taxation, while the public company faces double taxation. However, most of these responses did not link single or double taxation to the location of the tax burden. Some candidates stated that the sole trader paid little or no tax, while the company paid more tax.

A sample of the table, correctly completed, is shown below.

Form of Business	Sole Trader	Public Company
Ownership	Owned by one proprietor	Owned by several shareholders; the number of shareholders may be infinite.
Legal status	Not a separate legal entity Unlimited liability	Separate legal entity Limited liability
Continuity of business	Not continuous — business closes at owner's wish or death.	Continuous — Company not affected by changes in ownership.
Management	Controlled and managed by proprietor	Managed by a board of directors
Taxation	The owner pays personal income tax	The company pays corporation tax on profits

Part (b) (i) required candidates to prepare the realization account for a partnership. In addition to the statement of financial position, candidates were given information including the ratio in which profits and losses were to be shared; agreements made regarding dissolution; and total dissolution expenses.

A few candidates prepared the realization account with correct entries. Such candidates were able to correctly record the transfer of assets, disposal of assets, the asset taken over by Shereen, the apportioning of the gain on realization, and the transfer of that gain to the partners' capital accounts.

Several candidates calculated the gain/loss on disposal of each asset and recorded that gain/loss in the realization account. However, in many cases, these entries were recorded on the wrong side of the realization account.

Several candidates effectively double-counted the debtors, recording the debtors' balance, collection from debtors and the bad debt in the realization account. The creditors were treated similarly, with the creditors' balance, payments to creditors and discount received all shown in the realization account. A few candidates reversed the entries, debiting the account with the disposal proceeds and crediting it with the asset balances transferred. Entries used to record liabilities and their settlements were also reversed.

A few candidates transferred the assets to realization at cost, not net book value. Some candidates prepared journal entries or listed items in a balance sheet format. In several cases, the entries relating to the loan were recorded on the wrong side of the account.

For Part (b) (ii), candidates were asked to prepare the capital account using the same information provided for the previous part. Many candidates were able to present the account in columnar form. Most treated the opening capital balance correctly. Many candidates were able to transfer the balance from the current accounts to the capital account.

Weaknesses in responses included the following.

- A few candidates presented a combined capital account, with no separation of information relating to each partner.
- The loan taken over by Bruno was debited to his capital account.
- In many cases, candidates recorded the asset taken over by Shereen as a credit entry in her account.
- Many candidates ignored the asset taken over by Shereen.
- Credit balances on the current accounts were transferred to the debit side of the capital accounts.
- Many candidates did not apply the principle that there can be no balances remaining on partners' capital accounts when the dissolution process is completed. Instead, they chose to carry forward these balances, rather than having partners contribute amounts equal to any debit balances or receive cash equal to any credit balance.
- The entry to transfer gain/loss identified in the realization account was either recorded on the wrong side of the capital account or omitted entirely.
- Several candidates prepared the capital account as a journal, with some adding the figures for both partners and making one entry for each.

For Part (c), candidates were required to explain two options available to a company wishing to make a non-cash dividend payment. The most popular option selected by candidates was a bonus issue. Others identified the property dividend. Significantly, fewer candidates identified a stock split as an option. In most cases, having identified an option, candidates were unable to develop their responses.

Many candidates did not explicitly state that bonus shares and shares in a stock split are issued free of cost; most did not state that total equity capital would not be affected by a stock split or bonus issue; and only a few noted that a bonus issue or stock split would result in a reduction in share price. Several candidates wrote that a bonus issue would be financed by capital or revenue reserves. Many candidates suggested that the company should use a rights issue, even as they noted that shareholders would be required to pay for the shares. A few candidates discussed fair market value versus historical cost accounting and current cost accounting in their responses.

Several candidates proposed various employee-focused initiatives, including employee-of-the-month awards, goodwill, vacation leave, free lunches and other suggestions that prioritize employees' needs over shareholders' interests. Some candidates also suggested that the company issue debentures and treasury notes.

Question 3

Part (a) required candidates to explain the term *integrity* as it relates to the conduct of professional accountants. The definition itself was worth two marks and other points used in the explanation were worth the other three marks.

Responses demonstrated an understanding of the core principle of integrity. However, candidates had difficulty explaining the concept of integrity beyond stating words like ‘honesty’ and ‘trustworthiness’. A common error was the confusion of integrity with objectivity and confidentiality. The difficulty and confusion observed demonstrated that candidates were unfamiliar with the concept of integrity and its relationship with ethics in accounting.

Teachers are encouraged to use the International Ethics Standards Board for Accountants Framework, similarly to the use of IFRS, to supplement their teaching resources.

A typical response for Part (a) is provided below.

The principle of integrity imposes an obligation on all accountants to be straight and honest in professional and business relationships.

Integrity also implies fair dealing and truthfulness. An accountant should not be associated with reports, returns, communications or other information he/she believes contains a false or misleading statement, or contains statements or information furnished recklessly. An accountant should not omit or obscure required information where doing so would be misleading.

When an accountant member becomes aware that he/she has been associated with such information, that member should take steps to be disassociated from the information.

For Part (b), candidates had to use the indirect method to prepare the statement of cash flow (extract) for the year, showing the cash flow from operating activities only. Candidates’ responses were fair. Most candidates were able to correctly calculate and identify working capital (inflows or outflows).

Some weaknesses observed included the inability of candidates to calculate the gain on disposal, depreciation, tax paid and interest paid. It was also observed that a few candidates were not using the updated IFRS in the preparation of the operating section. In addition, a few candidates completed the entire cash flow statement, which was not the requirement.

Teachers are encouraged to keep abreast of the updated standards regarding the preparation of financial statements. More practice is required in calculating tax paid, interest paid, and gain/loss on disposal, utilizing T-accounts.

Expected Working

$$\begin{aligned}\text{Profit on disposal} &= 16\,000 - 12\,000 \\ &= 4\,000\end{aligned}$$

$$\begin{aligned}\text{Depreciation} &= \text{Year 2 depreciation} + \text{disposal depreciation} - \text{Year 1 depreciation} \\ &= 252\,000 + 18\,000 - 215\,000 \\ &= 55\,000\end{aligned}$$

$$\begin{aligned}\text{Interest paid} &= \text{Year 1} + \text{Profit and Loss charge} - \text{Year 2} \\ &= 6\,000 + 15\,000 - 10\,000 \\ &= 11\,000\end{aligned}$$

$$\begin{aligned}\text{Tax paid} &= \text{Year 1} + \text{Profit and Loss charge} - \text{Year 2} \\ &= 15\,000 + 102\,000 - 10\,000 \\ &= 107\,000\end{aligned}$$

$$\begin{aligned}\text{Purchase of assets} &= \text{Year 2 cost} + \text{Disposal cost} - \text{Change in reveal reserve} - \text{Year 1 cost} \\ &= 800\,000 + 30\,000 - 650\,000 \\ &= 180\,000\end{aligned}$$

Part (c) (i) asked candidates to define the term *secured creditor*. Performance on this part was fair. Most candidates did not explicitly state that a charge or lien is placed against an asset. In addition, a few candidates incorrectly referred to the debtor instead of the creditor. Teachers should incorporate more practice in restricted theoretical problems.

Candidates were expected to provide a response like the one given below.

A secured creditor is a person/entity holding a mortgage, charge, pledge or lien on or against the property of the debtor as security for a debt due by the debtor.

Part (c) (ii) asked candidates to identify two steps in the receivership process. Most candidates were able to provide two distinct steps. A minority incorrectly stated that one of the steps is 'to receive goods or to liquidate the company'. Teachers should incorporate more practice in restricted theoretical problems.

Possible steps from which candidates could have chosen responses include the following.

- The court appoints a receiver.
- The receiver informs all debtors and creditors of his/her appointment.
- The receiver takes custody of the assets.
- The receiver opens a bank account to facilitate receipts and payments under his/her management.

- The receiver continues the business and disposes of assets where necessary.
- The receiver assesses claims made by creditors.
- The receiver discharges the firm's indebtedness.
- The receiver prepares a monthly statement of affairs.
- If the business is successful, it is returned to the owners.
- If the business is not successful, it is liquidated.

For Part (c) (iii), candidates had to outline two roles of a receiver. Performance on this part was fair; most candidates could not distinguish between the role of a receiver and the steps in the receivership process. A few candidates failed to expound even though they stated a role. Teachers should incorporate more practice in restricted theoretical problems.

Expected roles are noted below. Candidates could have listed two of these.

- The receiver is appointed through a security agreement of an order by the court to take control of all or substantially all of the property of a debtor.
- The receiver collects the income of the business and pays all liabilities associated with the business.
- The receiver communicates with debtors and creditors as they review the corporation's finances and operations to identify inefficiencies.
- The receiver prepares a monthly statement of affairs and activities carried out under the receivership.

For Part (d), candidates had to prepare a single statement of comprehensive income for the year. This was to be done in accordance with the provisions of Section 5 of the IFRS for SMEs, as far as the information permitted.

Many candidates did not total administrative expenses and selling and distribution costs correctly. Final aggregated figures should have been shown in the statement, with clear workings or summaries provided below to show how these totals were calculated. Failure to do this resulted in candidates not being given credit for the format of the statement.

Some candidates did not include separate workings for depreciation of buildings and equipment with classification under the headings of administrative expenses and selling and distribution costs. Other candidates did not treat the impairment of goodwill as an expense and in some instances, mortgage interest was incorrectly calculated. Also, some candidates failed to include the gain on property valuation.

Teachers are encouraged to keep abreast of the updated standards regarding the preparation of financial statements. They should provide opportunities for extensive practice in preparation of financial statements using IFRS for SMEs.

PAPER 031 — SCHOOL-BASED ASSESSMENT (SBA)

This year, the mean score for the SBA was 44.42 out of 60 (74.04 per cent) compared with 40.28 out of 60 (67.13 per cent) in 2024 and 41.78 out of 60 (69.64 per cent) in 2023. The highest score attained in 2025 was 59 compared with the high score of 56 in 2024 and 60 in 2023.

GENERAL RECOMMENDATIONS

Teachers should do the following.

- Administer regular formative assessments to identify knowledge gaps.
- Use peer teaching strategies to reinforce understanding.
- Provide sample answers and marking schemes for students' reference.
- Encourage students to show all working clearly.
- Develop question banks for additional practice.
- Create study groups for collaborative learning.
- Spend more time on fundamental concepts before moving to applications.
- Provide clear, concise definitions with practical examples.
- Practice writing theoretical responses using mark allocations as a guide.
- Implement more hands-on simulation exercises where students operate businesses.
- Stop drilling via past paper questions and focus instead on the application and analysis of accounting principles.
- Encourage critical thinking rather than memorization.
- Teach students to read questions carefully and identify specific requirements.
- Provide extensive practice with calculation-based questions.
- Practise time management with timed exercises.
- Strengthen mathematical skills through regular practice.
- Provide step-by-step calculation guides for complex formulas.

Candidates who sit Paper 032, Alternative to the SBA, should spend some time on the following.

- Writing the background of research study
- Developing research aims and objectives
- Describing the role of literature review
- Comparing different research methodologies
- Determining how to present and analyse data
- Preparing the reference list