



# CARIBBEAN EXAMINATIONS COUNCIL

## PRINCIPLES OF ACCOUNTS



### Subject Report

*January 2025*

**CARIBBEAN EXAMINATIONS COUNCIL**

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

**JANUARY 2025**

**PRINCIPLES OF ACCOUNTS  
GENERAL PROFICIENCY**

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## Table of Contents

<b>INTRODUCTION</b> .....	1
<b>PAPER 01 — MULTIPLE CHOICE</b> .....	2
<b>PAPER 02 — EXTENDED RESPONSE/PROBLEM SOLVING</b> .....	3
Question 1.....	3
Question 2.....	4
Question 3.....	5
Question 4.....	7
Recommendations.....	8
Question 5.....	9
<b>PAPER 032 – ALTERNATIVE TO THE SCHOOL-BASED ASSESSMENT (SBA)</b> .....	10
Question 1.....	11
Question 2.....	12
Question 3.....	13
Question 4.....	14
Question 5.....	15

## INTRODUCTION

This guide has been compiled using candidates' responses to the 2025 January examination in CSEC Principles of Accounts. This examination is offered in January and May/June of each year.

The examination comprises 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 January 2025, the number of candidates taking the examination increased slightly to 470 from 420 in 2024. Approximately 42 per cent of candidates earned a passing grade (Grades I–III), compared with approximately 67 per cent in 2024.

## PAPER 01 — MULTIPLE CHOICE

This paper consists of 60 multiple choice items taken from the three profiles of the syllabus, Knowledge and Comprehension, Application and Interpretation, and Analysis. In January 2025, there was a decline in candidates' performance on Paper 01. The mean score was 31.44 out of 60 marks, compared with 35.30 in 2024

## PAPER 02 — EXTENDED RESPONSE/PROBLEM SOLVING

This paper comprised a total of five compulsory questions. Overall, there was a decline in the performance of candidates. The mean score in 2025 was 32.74, compared with 43.80 in 2024.

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### Question 1

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Candidates were provided with a list of transactions that occurred during a specific period in a store and were required to prepare appropriate journal entries. They also had to label each journal on the line provided at the top of the forms.

Most candidates successfully identified all the special journals and labelled them accurately. However, many candidates struggled to identify and name the journals based on the transactions presented. Common incorrect responses included naming a journal 'discount,' ignoring the need to open both returns journals or using a single journal labelled 'returns.'

Many candidates recorded entries in the relevant special journals with corresponding dates, details and amounts correctly entered. The trade discounts were accurately calculated and adjusted correctly for sales, purchases, and returns. However, frequent errors included ignoring the processing of trade discounts in transactions, recording the return of the non-current asset (shelves) in one of the returns journals and failing to distinguish correctly between sales returns and purchase returns.

Additionally, candidates were required to complete general journal entries with suitable narrations. Many candidates recorded the correct entries in the general journal and include appropriate dates, details, amounts and narratives. However, a significant number of candidates did not earn the marks allotted for this part. Common errors included omitting one part of the entry (the corresponding debit or credit), recording amounts on the wrong side and failing to include narratives as instructed.

Lastly, candidates were asked to balance and rule the cash book at a specified date. Most candidates recorded entries correctly and balanced the cash book at month-end, earning full marks. These candidates also calculated the correct amounts received from debtors and paid to creditors, demonstrating a good understanding of cash discount treatment. The contra entry was also recorded accurately. Frequent mistakes included failing to balance the cash book at month-end or balancing it incorrectly, recording entries on the wrong side, omitting one part of the contra entry, miscalculating cash discounts and incorrectly determining amounts paid or received after discounts.

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## Question 2

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Part (a) required candidates to define five different pay systems that Brown Leggy Ltd might use to calculate gross pay. Specifically, candidates were required to provide clear definitions for fixed rate, hourly rate, piece rate, commission plan and bonus plan. Candidates needed to define the given pay systems that may have been used to determine an employee's gross pay. Most candidates answered this part fairly well. They gave good definitions of the pay systems. However, many candidates were unable to define *piece rate* correctly.

In Part (b) candidates were required to complete a table showing the name of the account and ledger affected when posting totals from the journals identified, ensuring the double-entry rule was observed in each case. Very few candidates attained full marks in this section. Most candidates were able to give correct answers for the debit side ledgers; however, most of them entered account titles on the wrong side. For example, sales and returns outwards were entered on the debit side instead of the credit. Few candidates were able to give correct answers for all parts of the table.

In Part (c), candidates were required to state the accounting principle applied in each situation by writing the corresponding item letter from Table 1 in the spaces provided in the second table. This part was not done well by most candidates. While some were able to identify one or two concepts, many could not correctly identify any of the listed principles.

In Part (d), candidates were asked to suggest two possible reasons for the changes in the collection period for receivables and the payment period for payables between 2024 and 2025, based on the ratios provided. Most candidates had difficulty explaining the reasons for these changes and so most of them scored only one to two marks out of four. A common error was misinterpreting the direction of the change in the given percentages for the receivables and payables collection periods.

In Part (e), candidates had to identify one possible outcome of the business having inadequate working capital. A few candidates gave excellent responses, while most others provided satisfactory responses.

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### Question 3

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In Part (a), candidates were required to define the term *depreciation*. Most candidates were able to define the term correctly and they demonstrated a strong understanding of the term by providing a well-articulated and comprehensive definition.

In Part (b), candidates were asked to calculate the annual depreciation charges for a delivery truck for the years 2023 and 2024 using two methods—the straight-line method and the reducing balance method.

They were required to apply the given details to show all workings and enter the correct depreciation amounts in the table provided. Some candidates presented accurate calculations for both methods and they provided neat and logical workings. Such candidates applied the straight-line formula correctly. For the reducing balance method, these candidates applied the 25 per cent rate in year one, calculated the net book value and correctly computed the year two depreciation charge. These candidates earned full marks. However, other candidates lacked a thorough understanding of the straight-line and/or reducing balance methods of depreciation.

In Part (c), candidates were required to prepare a manufacturing account for the year ended December 31, 2024, using the information provided. They were instructed to calculate the cost of raw materials consumed, add direct labour costs and include factory overheads to arrive at the total manufacturing cost, while making adjustments for opening and closing inventories of raw materials and work in progress. The response had to be presented in the correct format of a manufacturing account. Some candidates showed a thorough understanding of the process, accurately computing the cost of raw materials consumed using the correct procedures and figures. Direct labour costs were correctly included to arrive at the prime cost. Additionally, factory overheads were properly added and work-in-progress adjustments were handled correctly to determine the manufacturing cost of \$470 000. Candidates who did such were awarded full marks for providing a comprehensive and precise presentation. Few candidates showed the prime cost correctly and in some cases, candidates erroneously subtracted manufacturing overheads instead of adding them to find the cost of production.

In Part (d), candidates were required to compute the unit cost of production. Some candidates demonstrated clear knowledge and application of costing principles. They applied the correct formula and used the appropriate figures to accurately determine the unit cost, earning full marks. The calculation was well-executed and reflected a solid grasp of basic costing principles. Few candidates calculated the prime cost correctly and in some cases, candidates erroneously subtracted manufacturing overheads instead of adding them to find the cost of production.

Part (e) required candidates to calculate the total unit selling price. Candidates who demonstrated a strong understanding of mark-up pricing accurately calculated the unit selling price using the 60 per cent

mark-up policy in a clear, logical and well-structured presentation. They used figures from the previous section and correctly applied the mark-up formula to determine the profit component. This figure was added to the cost price to arrive at the correct selling price. Candidates who did such earned full marks. Some candidates struggled to calculate the answer. This highlighted the need for educators to provide additional instruction and practice on manufacturing accounts and handling operating expenses. This need can be addressed by teachers using traditional and modern teaching methods such as interactive case studies, simulations, games and collaborative group work to enhance students' understanding and application.

In Part (f), candidates were required to calculate the value of expenses. Some candidates showed strong analytical skills. They presented the calculations that were required to find the operating expenses clearly, neatly and logically. The process used to calculate total sales was correct; candidates multiplied the calculated unit selling price by the given number of units sold (22 500), then applied the 20 per cent rate to determine total operating expenses. Candidates who used this method were awarded full marks.

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## Question 4

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In Part (a) (i), candidates were asked to identify one method that could have been applied besides the AVCO method for inventory control and valuation that was used in a given scenario. Many candidates correctly identified an alternative method of inventory control that the business could have used.

Part (a) (ii) required candidates to briefly explain how the method identified in Part (a) (i) works. While some candidates provided acceptable explanations, others struggled to clearly describe their chosen method.

In Part (b), candidates were required to complete the form provided to record inventory for the month using the AVCO method. They were also required to round off all calculations to the nearest dollar. Almost all candidates who attempted this part recognized the need to insert dates and so they earned the allotted marks. In most responses

- all entries were appropriately dated
- the opening inventory was correctly included
- inventory in and inventory out columns were correctly entered, using the total cost of inventories in and out
- candidates calculated the total units for unsold inventory correctly
- the correct AVCO value after a purchase was shown
- the value of inventory on hand after a sale was also correctly calculated.

Of those candidates who attempted to enter the information for the given opening inventory, very few did so fully and accurately. The inventory in and inventory out calculations and recordings also proved problematic for many candidates. Many candidates received marks for correctly indicating the unsold inventory and several were able to use the correct process to calculate the value of inventory on hand after a sale. However, the steps required to calculate the value of inventory on hand after a purchase proved particularly challenging for most candidates. Very few candidates earned all the allotted marks. This showed that candidates experienced difficulty in completing an inventory card accurately.

Part (c) required candidates to calculate the total cost of purchasing items (air fryers) in a particular month. Candidates were tasked with calculating the total purchase figure. Most were able to obtain at least half of the marks allotted for this part. Common errors included totalling the unit cost price of individual purchase transactions rather than the total purchase value for each transaction and incorrectly including opening inventory in the calculation of purchases. However, some candidates successfully calculated the total cost of purchases and correctly summed the individual purchase amounts.

Part (d) required candidates to calculate the total revenue from the sale of air fryers for a particular month. Approximately one-third of candidates did not attempt this part. Of the candidates who

attempted this part, most were able to gain at least half of the allotted marks. Stronger candidates calculated the total number of units sold and multiplied it by the given selling price to arrive at the correct revenue total for the period. However, common errors included adding opening inventory and/or purchase amounts to the revenue calculation and failing to multiply the total number of units sold by the selling price.

Part (e) required candidates to prepare an income statement using the form provided to show the gross income earned from sales for a particular month. Most candidates demonstrated good knowledge and understanding of the basic formula used in presenting an income statement (*Revenue – Cost of Goods Sold (COGS) = Gross Profit*). About 10 per cent of candidates showed greater depth of knowledge and practice by correctly calculating COGS, adding opening inventory to purchases and subtracting closing inventory from the cost of goods available for sale to arrive at cost of sales. Most candidates earned a mark for entering the sales figure, with about one-third arriving at the correct amount of \$64 2850 for total revenue. Only a few candidates earned marks for correctly treating opening and closing inventory amounts, while slightly more than half earned marks for deducting COGS from revenue. Most candidates who attempted this part earned the allotted marks for transferring figures from previous calculations to the income statement, including figures for sales, purchases, and opening and closing inventory.

## Recommendations

- Teachers should assign more practice exercises on this topic area.
- More practice is required for the calculation of Total Sales Revenues based on information derived from an Inventory Record Card.
- Teachers need to reinforce Income statement formula and format with more practice exercises.

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## Question 5

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In Part (a), candidates were required to correct errors from a table provided by preparing the suspense account. They were required to start with the difference from the trial balance and to total the account. Most candidates demonstrated a thorough understanding of handling a suspense account. They correctly debited the trial balance difference of \$368, recorded the necessary credit entries for errors affecting the suspense account and closed the account appropriately. Some candidates successfully determined the correct amount for the purchased item and presented the account in good form. However, candidates' failure to label the debit side as Difference in the Trial Balance or Trial Balance Difference instead of Balance b/d prevented their responses from being exemplary. In some cases, candidates demonstrated good application by correctly recording the difference from the trial balance as a debit entry and posting the errors that affected the equality of debits and credits on the credit side of the suspense account. These candidates also completed the suspense account in proper form, ensuring totals were calculated and the account was ruled off appropriately. In such instances, the suspense account was accurately completed, including the correct recording of details. Overall, this performance reflected that candidates had strong understanding, application and analytical skills.

In Part (b), candidates were required to prepare journal entries to correct errors that did not require adjustments in the suspense account, including suitable narrations. Most candidates demonstrated a strong understanding of journal entries by correctly recording both debit and credit parts, using appropriate narrations and applying the correct amount of \$6000 for the reversal correction. Overall, candidates showed that they had sound knowledge of accounting principles. They were often awarded full marks for precise and thorough work. Areas for improvement included adding dates to entries, proper indentation of credit details and ensuring narrations were provided consistently. While errors not requiring suspense account adjustments were generally recorded correctly, some candidates need more practice in identifying error types to include suitable narrations.

In Part (c), candidates were required to prepare a revised profit statement for the company for a specific year, considering corrections for errors that affected net profit. The revised net profit appropriately reflected expenses related to motor vehicle repairs and stationery. However, the purchase figure was incorrectly treated; it had been understated and should have been deducted from the net profit. Most candidates demonstrated that they had strong knowledge of the requirements for preparing a revised profit statement and they were able to apply their skills in this area well. Beginning with the draft net profit of \$13 000, candidates used the correct process to arrive at a revised profit for the year. Motor vehicle repairs and stationery were both correctly treated as deductions from the draft net profit. The only significant area for improvement was the treatment of the understated purchase amount, where candidates added the difference of \$18 instead of deducting it from the draft net profit. Overall, candidates showed excellent application of accounting principles, earning nearly full marks.

## PAPER 032 — ALTERNATIVE TO THE 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 the candidates with a case or a number of mini cases that describe accounting situations. In January 2025, candidates are required to respond to all questions. The performance of candidates on Paper 032 was consistent with that of January 2024. The mean score was 15.58, compared with 15.73 in 2024.

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## Question 1

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In Part (a), candidates were asked to state the name of the type of business formed. Most candidates gave a very good response and correctly identified the type of business in the case study.

In Part (b), candidates were required to calculate the net worth or value of the business at the start. Most candidates correctly calculated the owner's net worth. Generally, candidates are encouraged to state the formula they will use at the start of their calculations.

In Part (c), candidates were required to use the form provided to prepare the opening statement of financial position for the new venture at a particular date, using the order of liquidity. Candidates were given the option of using either a vertical or horizontal presentation format. Many candidates gave a good response and prepared an opening statement of financial position using a vertical presentation style. However, the question specifically required the use of the order of liquidity presentation style, which was not applied here. Despite this, all sections of the statement of financial position (SOFP) were well represented. Candidates should practice using both presentation styles, order of permanence and order of liquidity, as failure to use the required style can result in a loss of marks.

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## Question 2

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In Part (a), candidates were required to calculate the settlement amount received on that date. Overall, candidates' responses were excellent. Candidates correctly calculated the settlement amounts to be received using the information presented on the invoice.

In Part (b), candidates were required to balance and rule the cash book at the end of the month using the form provided. Most candidates prepared the cash book accurately and balanced it at month end following the correct process. The opening bank balance was debited, the contra entry was properly recorded on both sides of the cash book and noted with a C in the folio column. The correct amount for discount allowed was recorded.

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### Question 3

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In Part (a), candidates were required to prepare the ledger account for a supplier to show the transactions conducted and to balance and close the account at month end. Overall, responses were excellent. The candidate correctly prepared the supplier's personal account as it would appear in the buyer's books, using the information provided in the case study.

In Part (b), candidates were asked to state one advantage of converting the business into a partnership. Most candidates correctly identified an advantage of forming a partnership.

In Part (c), candidates were required to advise the individual of one disadvantage of forming a partnership. Most candidates correctly identified a disadvantage of forming a partnership.

In Part (d), candidates were required to prepare the journal entry to record the admission of the partner using the form provided; a narration was not required. Most candidates prepared a correct journal entry to record the admission. This response could have been improved by including the word capital in the credit details, so that it would read Quan Soso, Capital.

In Part (e), candidates were required to state one other sea moss-related business activity that the partners could undertake to generate additional revenue. Most candidates identified another acceptable activity that the partnership could pursue to increase revenue.

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## Question 4

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In Part (a), candidates were required to prepare the production budget for the third quarter ending December 31, 2023, using the form provided. Overall, candidates' responses were excellent. Candidates correctly deducted opening inventory amounts and added closing inventory figures to determine the monthly production units required. In addition, they demonstrated strong analytical skills by using the businesses policy for maintenance of closing inventory levels to calculate the missing opening inventory figure for October, which was 475 units.

In Part (b) (i), candidates were required to prepare the sales budget showing projected revenue inflows for the third quarter. Sales units were accurately entered and most candidates correctly calculated monthly sales values by multiplying each unit by the given selling price.

In Part (b) (ii), candidates were asked to calculate the total projected cash inflows for the third quarter of the partnership business. Most candidates earned full marks for accurately totalling the monthly sales values to find the total projected cash inflows. However, many candidates continue to face challenges in preparing both production and sales budgets so additional classroom practice on these topics is recommended.

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## Question 5

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In Part (a), candidates were required to use the partnership terms provided to prepare the appropriation account for the year ended March 31, 2024. Overall, responses to this part were very good. Candidates accurately prepared the appropriation account, calculated and totalled the correct amount of interest on drawings for each partner and added it to the net income. Deductions for partners' interest on capital were correctly applied to determine the residual net income, which was then distributed between the partners using the correct ratio based on their capital contributions.

In Part (b) (i), candidates were required to calculate the return on investment (ROI). Most candidates stated the correct formula for calculating return on investment (ROI) and applied it accurately, using appropriate figures from their own calculations for the partner's profit share and capital invested. As a result, these candidates were awarded full marks for this response.

In Part (b) (ii), candidates were asked to explain the significance of the value calculated in Part (b) (i) as it relates to the business. Most candidates provided a good analysis and an acceptable interpretation of the meaning of the calculated ROI for the partner.