

ACCOUNTING

SUBJECT 9197

PAPER 02

REPORT FOR TEACHERS

The paper covered concepts and principles of the syllabus. Candidates who had covered the breadth and depth of the syllabus had the potential to pass this paper. Candidates however were spread out due to shortcomings they displayed on a question by question basis.

QUESTION 1

Some candidates failed to identify that the cost of production of \$360 000 had been calculated already. This was omitted by most candidates. Some failed to recognise the need to adjust the given provision for unrealised profit in stock. The manufacturing profit of \$60 000 was not used in some instances. Interest on drawings was incorrectly treated in the appropriation account. Some candidates were at loss given the salary paid to Twist and the amount due for the year. On the whole, most candidates scored an above average mark on this question.

QUESTION 2

Candidates displayed weaknesses in showing the accounting treatment for goodwill – in recording it and then amortising it. The journal entry to record the acquisition of the partnership was also poorly done showing a weak understanding of the concept. The post-acquisition balance sheet was not well done. Candidates who showed calculations within the balance sheet scored satisfactorily on this question.

QUESTION 3

Most candidates lost marks by using wrong values - do to omitting and inconsistently using zeros (\$000) in this calculations. On the interpretation of financial statements, candidates who stated relevant formulae scored higher marks than those who did not. The incorrect use of units for some ratios cost candidates marks especially for the P/E ratio, interest cover and dividend cover. This question was poorly done.

QUESTION 4

This was a question on absorption costing where candidates failed to distinguish cost allocation, cost apportionment and cost re-apportionment. The calculation of

overhead absorption rates was not well done – job cost calculations were incorrectly done. The use of the mark-up and margin concepts were incorrectly applied in calculating the selling price. A few candidates who had sound knowledge on over absorption and under absorption of overheads scored high marks on this question.