

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2011

**PRINCIPLES OF ACCOUNTS
GENERAL PROFICIENCY EXAMINATION**

**Copyright © 2011 Caribbean Examinations Council
St Michael, Barbados
All rights reserved.**

GENERAL COMMENTS

The Principles of Accounts (POA) examination is offered in January and May/June each year. This year, 26, 246 candidates registered for the examination in May/June. As usual, the POA examination consisted of three externally marked papers as follows —

Paper 01: Multiple Choice;
Paper 02: Extended Response;
and either Paper 031: School Based Assessment (SBA), which is marked by classroom teachers and moderated by CXC; or Paper 032: the Alternative to the School Based Assessment (SBA), which is offered to private candidates.

Each paper allows candidates to garner marks under three profile dimensions: Knowledge, Application and Interpretation, in the ratio 1:2:1 respectively.

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple-choice items reflecting wide syllabus coverage and testing the three profiles dimensions of Knowledge, Application and Interpretation in the ratio 1:2:1. The performance of candidates on this paper was fair.

The mean mark was 35.49 out of 60. A comparative table showing mean mark for the last three years is given below.

| Paper 01 | |
|-----------------|------------------|
| Year | Mean Mark |
| 2010 | 32.4 |
| 2009 | 33.5 |
| 2008 | 34.38 |

Approximately 70.73 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper. Eight candidates scored the maximum of 60 marks.

Paper 02 – Extended Response

Paper 02 comprised two sections. Section I, the compulsory section, required candidates to answer three questions. Section II, the optional section, required candidates to answer two out of four given questions.

Performance on Paper 02 was consistent with that of 2010. The mean mark for this paper was 40.95 out of 100. A comparative table showing mean mark for the last three years is given below.

| Paper 02 | |
|-----------------|------------------|
| Year | Mean Mark |
| 2010 | 40.75 |
| 2009 | 36.14 |
| 2008 | 39.45 |

Approximately 33.06 per cent of candidates scored at least 50 per cent of the maximum mark on this paper.

Paper 031 – School-Based Assessment (SBA)

A School Based Assessment (SBA) project is completed by all candidates being examined for the first time in Principles of Accounts (POA) at the CSEC level, in the May/June examination session. Those who register for the SBA are usually full-time candidates attending a recognized institution and who are supervised by a course instructor. Repeat candidates who achieved 50 per cent of the moderated marks for their SBA project may transfer this mark to the succeeding sitting.

The completion of the POA SBA Project provides candidates with the opportunity to consolidate knowledge and skills gained in the subject, allowing them to synthesize and crystallize concepts and competencies relevant to the application of POA at an introductory level. Not only does the SBA Project provide candidates with the opportunity to bring to fruition their working knowledge of POA at this stage, but it also serves to enhance understanding and sensitivity to real-life applications of POA for prospective entry-level employees.

As has been suggested in the past, it may prove most beneficial if teachers were to regard the SBA as an ‘integral component’, rather than an ‘additional task’ at culmination of the subject. Working from such a holistic perspective, the SBA components could be assigned sequentially, in incremental stages, during Forms 4 and 5, rather than as ‘one lump’ task towards the end of the secondary school and education period. The overriding advantage would be improved opportunity for supervising, assisting and managing candidates’ progress towards successful final completion.

Of the 19,452 candidates who did the SBA Project, 95.31 per cent scored 50 per cent or more of the available marks. The mean mark on this component was 32.28 out of 40.

Paper 032 – Alternative to School-Based Assessment

Paper 032 is the alternative to the School Based Assessment (SBA) and forms a part of the compilation of candidates’ final mark in POA.

Candidacy for this exam is limited to those persons who are out of the formal, secondary-level school system and would not, therefore, be considered as full-time, secondary school students benefiting from the internal school-based assessment programme. These candidates are normally referred to as ‘private candidates’.

As per the POA syllabus guidelines, private candidates are tested for a duration of 90 minutes, the exam taking the form of a case study, with about 10 to 15 questions derived from that case study. Paper 032, like the SBA, is worth a total of 40 marks, and contributes 20 per cent to candidates’ final mark.

For this paper, candidates were required to answer questions based on a given case study. Like the SBA, the case study tested objectives and content from Sections two to six of the syllabus.

The performance of candidates on Paper 032 showed a decline over 2010. The mean mark was 12.54 out of 40 marks compared with 21.52 in 2010, 15.35 in 2009 and 18.6 in 2008. Approximately 18.92 per cent of candidates scored at least 50 per cent of the maximum available marks on this paper.

DETAILED COMMENTS

Paper 02 – Extended Response

Section I – Compulsory

Question 1

This question tested candidates ability to construct a classified Statement of Financial Position (Balance Sheet), using the order of permanence, from a given list of short descriptive items and scenarios.

Approximately 82 per cent of candidates attempted the question, 70.5 per cent of whom scored 50 per cent or more of the available marks. The mean mark for this question was 12.51 out of 20.

Strengths

In general, candidates

- identified the classification headings (*Non-Current (Fixed) Assets, Current Assets, Current Liabilities, Long-Term Liabilities, Capital*)
- correctly classified assets as *Non-Current* or *Current*
- used appropriate presentation format for the Balance Sheet
- correctly treated *Accummulated Provision for Depreciation* on the Balance Sheet as a deduction from corresponding Non-Current Asset
- calculated total amount for *Rent Owing* correctly

Weaknesses

In general, candidates

- did not show subtotals of various sections of the classified Balance Sheet
- were unable to calculate Net Book Value of the Non-Current (Fixed) Asset
- did not identify *Rent Owing* and *Interest Owing* as Current Liabilities
- were unable to identify *Loan* as a Long-Term Liability
- lacked thorough knowledge of the *Financed By:* or Capital Section, for example, failed to identify *Capital* when calculated
- added *Long-Term Liabilities* to *Capital* section in cases where the Vertical Style of presentation was used

Recommendations

Teachers are encouraged to provide more opportunities for regular, detailed practice on questions which require students to apply fundamental knowledge and skills of accounting principles. For example, the basic accounting equation, $Assets = Liabilities + Capital$, provides the framework for construction of any *Statement of Financial Position* (Balance Sheet). Students should understand and know this, to the extent that they ought to recognize the need to insert and clearly identify the missing 'Capital' amount, to complete this equation, as this is the backbone for the construction of this statement.

It would be very beneficial to review and highlight the treatment of the Long-Term Liabilities section when presenting the Statement of Financial Position (Balance Sheet).

Candidates should be able to clearly distinguish between the *horizontal* format for presenting Balance Sheets, as opposed to the *vertical* style or format. At least one of these two presentation styles should be well known, but preferably the vertical style.

Question 2

This question tested candidates' knowledge of Partnership Accounts. This year, the 'partnership' question involved the admission of a new partner halfway through the fiscal period, and it targeted three specific areas of Partnership Accounts:

- (a) Drawing up of a journal entry to record the admission of a partner;
- (b) Preparation of partners' Appropriation Account, up to the total share of remaining profit; and
- (c) Preparation of Current Accounts of partners.

A worksheet was provided, as an extension to the Appropriation Account, which candidates were required to use to show detail working for the share of the remaining income or profit earned by each partner.

Approximately 74 per cent of candidates attempted the question, 34.58 per cent of whom scored 50 per cent or more of the available marks. The mean mark for this question was 7.41 out of 20.

(a) The Journal Entry

Strengths

In general, candidates demonstrated

- knowledge of which items were to be debited in the journal entry for recording the admission of a partner to the business
- competence in totalling listed assets in their journal entry for recording the admission of a partner to the business and also recognized this total as 'capital'.

Weaknesses

- Some candidates' responses revealed a lack of knowledge of the format for a journal entry. Assets were presented as a list, with no recognizable 'journal' format. Debit entries were presented with no corresponding credit entries.
- Respondents who used the journal format did not know which items were to be debited and which ones were to be credited. Consequently, assets were credited and capital was debited.
- Some candidates did not include the total amount as the capital contribution of the new partner.
- In some cases where the total amount was correctly included as a credit entry, candidates simply used the name of the partner, 'Telford', to label that amount, without the use of the word 'capital' to identify that total amount as partner's 'capital' contribution.

(b) The Appropriation Account

Strengths

In general, candidates demonstrated knowledge of the

- format for presenting the Appropriation Account

- correct treatment for Interest on Drawings, Interest on Capital and Partner's Salary vis-à-vis Net Income
- fact that Net Income or Profits are shared in the Appropriation Account, then transferred to partners' Current Accounts

Weaknesses

Some candidates

- were unable to correctly compute Telford's total capital
- were unable to correctly compute Telford's Interest on Capital, due to non-application of the required pro-rating of the annual figure for a half year
- used one month's salary, rather than compute and use the 'annual' salary
- did not present the Appropriation Account in an acceptable format
- were challenged in completing the worksheet, particularly in transposing the appropriation of profits to the worksheet. Many candidates avoided this part of the question altogether

(c) The Current Accounts

Strengths

In general, candidates

- were quite knowledgeable of the format for presenting Current Accounts. Several styles were used, including the columnar and individual 'T' account formats.
- demonstrated a high level of knowledge of items to be debited and credited in the Current Account

Weaknesses

- Opening Balances were incorrectly posted to the Current Accounts, or often omitted altogether
- Some candidates failed to balance off the Current Account at the end of the accounting period
- Where the Current Account was 'balanced off at the end' of the accounting period, approximately half of the number of candidates who did failed to record the balances brought down for the start of the next accounting period

Recommendations

Teachers are encouraged, in their delivery of the subject matter, to use a range of questions that explore the principles which govern the keeping of partnership accounts. The emphasis should be on teaching relevant 'principles', and the range of questions used should stretch students' application of the principles. The use of worksheets could be incorporated freely, across the board, to have students practise detailing their analyses and computations in a systematic manner. The application of principles in different scenarios which require interpretative skills should also be regularly practised, for example, recognizing when adjustments of amounts for half year are required in an annual report.

Question 3

This question tested candidates' knowledge of Books of Original Entry, specifically the Cash Book and the Petty Cash Book. This was tested in three parts. Part (a) required candidates to draw up a three-column Cash Book for a month.

Part (b) provided a worksheet which candidates were required to use to draw up the Petty Cash Book for a month.

Part (c) required candidates to post totals from the Petty Cash Book to the appropriate ledger.

Approximately 84 per cent of candidates attempted the question, 45.61 per cent of whom scored 50 per cent or more of the available marks. The mean mark for this question was 9.85 out of 20.

(a) The Three-Column Cash Book

Strengths

In general, candidates were able to

- record opening balances correctly
- differentiate between cash and bank transactions
- post items correctly to either the debit or credit side of the Cash Book
- identify and correctly record the contra entry in the Cash Book

Weaknesses

- Lack of demonstrable knowledge of how to restore petty cash imprest in the Cash Book
- Closing off the Cash Book at the end of period. In some cases closing balances in the Cash Book were omitted altogether. Other candidates showed 'Balance c/d' and 'Balance B/d' on the same side
- Incorrect handling of the dishonoured cheque in the Cash Book, for example
 - the dishonoured cheque was debited to the Cash Book
 - in cases where the dishonoured cheque was credited, the *Discount* was also included in recording the transaction
- Recording of Petty Cash items in the three-column Cash Book

(b) The Petty Cash Book

Strength

- This part of the question was generally very well done with most candidates scoring high marks.

Weaknesses

- In many cases, the worksheet provided was not used
- Opening balance figure and the amount of the restored imprest were recorded under the 'total' column, instead of in the 'amount' column on the left hand side
- Some candidates used check marks (✓) under the analyses columns, instead of recording the actual amounts
- Some expenses were incorrectly classified
- In some cases, the Petty Cash Book was not balanced at end of period

(c) Posting of Totals from Petty Cash Book to Appropriate Ledger

Strength

- Some candidates transferred totals correctly to appropriate General Ledger Accounts

Weaknesses

- Failure to identify the appropriate ledger as the 'General Ledger'
- Failure to give the accounts posted to a title
- Posting incorrectly to the credit side of accounts
- Posting individual entries to accounts, instead of posting totals

Recommendations

Teachers should emphasize the relationship between the Cash Book and the Petty Cash Book, especially as it relates to the process of restoring the petty cash imprest. Thus, for example, the amount taken from the Cash Book (to restore the Petty Cash Book) must also be reflected as being received in the Petty Cash Book.

The process of handling Petty Cash expenditures for restoring the imprest need to be addressed by teachers. They should emphasize to students that Petty Cash expenditures are, in effect, 'expenses' of the business, and are generally posted in total to relevant accounts affected in the General Ledger.

Section II — Optional Questions

Question 4

This question tested candidates in the preparation and analysis of financial statements, with adjustments, of a sole trader. Objectives tested related to determination of the amount of expenses and revenue to be transferred to final accounts, and included two methods of depreciation, treatment of accumulated depreciation, bad debts, provision for doubtful debts and prepayment of revenue.

The concepts were tested in two parts. Part (a) provided candidates with a worksheet on which they were required to identify the items to be adjusted, with corresponding analysis of the appropriate treatment and amount required.

Part (b) requested the preparation of a partial Balance Sheet to reflect the updated financial position.

Approximately 85 per cent of candidates attempted the question, 30.06 per cent of whom scored 50 per cent or more of the available marks. The mean mark for this question was 8.79 out of 20.

(a) Worksheet

Strength

- The majority of candidates were able to correctly list the items affected by the stated adjustments.

Weaknesses

- Incorrect treatment of items, as the given adjustment required
- In some cases, incorrect amounts were arrived at, for example, in calculating depreciation using the reducing balance method

(b) Balance Sheet Extract

Strength

- In general, candidates demonstrated good knowledge of the section headings in the Balance Sheet and an acceptable format or presentation

Weaknesses

- Not all Current Assets were correctly classified, for example *Accounts Receivable* and *Inventory*
- Accounts Receivable was not adjusted for the Bad Debts, such that the Bad Debts amount should have been deducted from the Accounts Receivable amount
- Accounts Receivable was not correctly treated with the Provision for Doubtful Debts
- Provision for Depreciation was not increased with the current amount of depreciation to reflect the *Accummulated* Provision for Depreciation

Recommendations

Teachers are encouraged to focus on accounting for adjustments affecting expenses and revenues at the end of a financial period. The connection between items and adjusting figures in the 'Profit and Loss Account', and their link with and corresponding effects on relevant sections in the 'Balance Sheet' should be emphasized. Specific mention is made here of the need to focus on correct procedures in accounting for 'Provision for Depreciation' and 'Provision for Doubtful Debts' on the Balance Sheet.

Equal emphasis should be given to the calculating of depreciation by the reducing balance method, as is given to the straight line method of calculating depreciation on fixed assets.

Also, more extensive practice should be undertaken on adjustments of other revenues besides sales, such as commissions, rent, income, fees, fares and so on.

The use of alternative terms is to be encouraged in order to reinforce students' familiarity with all modern accounting terminologies such as Accounts Receivable (Debtors), Accounts Payable (Creditors), Inventory (Stock), Non-Current Assets (Fixed Assets), Statement of Financial Position (Balance Sheet) and Income Statement (Trading and Profit & Loss Account). Increased familiarity with such alternative terms would be an asset to prospective candidates.

Question 5

This question tested candidates' knowledge of the preparation of Manufacturing Accounts. The question was divided into in three sub-parts: Part (a) required candidates to prepare the Manufacturing Account section. Part (b) required candidates to prepare the Income Statement with costs appropriately classified. Part (c) tested candidates' interpretative skills, requiring a computation of the total number of units produced for the year.

Approximately 50 per cent of candidates attempted the question, 17.31 per cent of whom scored 50 per cent or more of the available marks. The mean mark for this question was 5.90 out of 20.

(a) Manufacturing Account

Strengths

In general, candidates performed well in that they were able to

- present the Manufacturing Account in an acceptable format
- identify the three major items as requested
- correctly apportion the electricity expense between the Manufacturing Account and the Income Statement

Weaknesses

- Some candidates did not recognize the given 'cost of raw materials used' amount as the direct material cost already calculated. Rather than just adding on the direct labour/wages to it, to arrive at prime cost, candidates tried to use 'Opening Stock', 'Purchases' and 'Closing Stock' to calculate a 'Cost of Raw Materials Consumed/Used' figure
- Many candidates failed to include the cost of kitchen boxes as indirect or factory overheads and incorrectly charged this item to the Income Statement

(b) Income Statement

Strengths

Candidates' areas of good performance on this part included their ability to

- show the transfer of 'Production Cost' from the Manufacturing Accounting to the Trading Account section
- apportion the correct amount of Electricity Expense to the Profit & Loss section
- identify and include the expenses in the Profit & Loss section

Weaknesses

- In many cases the heading of the Income Statement was incomplete — either the name of the business or the date was often omitted
- Where the date was included, this was improperly stated as covering a period of time, for example, some candidates used the phrase 'As at ...' instead of 'For the Year Ended ...'
- Some candidates were apparently unfamiliar with the term 'Income Statement', thus producing a 'Balance Sheet' instead of 'Final Accounts'
- Some candidates added Production Cost to Sales, instead of deducting it from Sales to arrive at the Gross Profit
- The expenses/costs presented in the Profit & Loss section were, in some instances, not classified at all; in other cases they were incorrectly classified
- Candidates incorrectly calculated and treated depreciation, which resulted in 'Net Book Value' of assets (which belong in the Balance Sheet) being treated as a loss or 'expense' and recorded in the Profit & Loss section
- Candidates also confused the treatment of 'Provision for Depreciation' amounts with that of annual depreciation amounts. The former are contra-assets which are reported on the Balance Sheet, while the latter are expenses which are reported in the Profit & Loss section of Income Statement

(c) Computation of Total Units Produced

Strength

- Many candidates correctly used the Production Cost arrived at in the Manufacturing Account, to calculate the total number of items produced for the year.

Weakness

- Some candidates used the 'Sales' figure, rather than the 'Production Cost' figure, to calculate the number of items produced.

Recommendations

Teachers are once again encouraged to familiarize themselves with the current syllabus (2008) which provides updated accounting terminologies, for example, *Income Statement* replaces 'Trading and Profit & Loss Account'.

When providing students with practice questions, teachers should use different styles and layout of questions, and should focus on teaching the principles of accounts, rather than just work by rote. Thus, students would readily recognize and correctly classify items as 'direct' versus 'indirect' costs, as used in Manufacturing Accounts, even when the item introduced is 'new' or unfamiliar. Consequently, candidates will be able to correctly treat the novel item.

Adjusting, allocating and apportioning of costs between cost centres (Manufacturing Account vs Income Statement) continue to demand focused attention, as well as classification of costs in the Income Statement.

Question 6

This question tested candidates' knowledge of accounting for cooperative societies. The question was sub-divided into four parts. Part (a) focused on methods of raising capital for cooperatives and required candidates to compute and prepare General Journal entries to record monies collected by two different methods.

Part (b) tested candidates' ability to prepare the Appropriation Account for a cooperative. Part (c) tested candidates' ability to calculate patronage refund and account for one member's shareholding returns. Part (d) tested candidates' knowledge of the essential features of a cooperative.

Approximately 9 per cent of candidates attempted this question, 13.32 per cent of whom scored 50 per cent or more of the available marks. The mean mark for this question was 5.48 out of 20.

(a) Journal Entries

Strengths

- In general, most candidates were able to correctly calculate the amount of monies collected for registration fees and share purchase.

Weaknesses

Candidates were unable to

- distinguish between 'journal entries', which were required, and 'ledger account entries' which were not
- place entries in the correct column of journal entries
- provide double entries in the General Journal. That is, only one single entry was presented in each case. General Journal entries require that there be a 'debit' part and a 'credit' part to each entry
- provide suitable narrations for entries made in the General Journal

(b) Cooperative Appropriation Account

Strengths

- This part of the question was the most popular and was attempted by all candidates who were able to gain significant portions of the available marks. Candidates demonstrated quite comfortably, good knowledge of the appropriate items for the Appropriation Account and correct treatments.

Weaknesses

Candidates responses revealed the following shortcomings:

- Appropriate headings were not used for the statement
- The previous year's 'undistributed profits' were omitted and not included as an addition to surplus
- The final amount was not labelled to indicate 'retained' or 'undistributed profits' for the current period

(c) Patronage Refund and Dividend Earnings for One Member

Strength

- Most candidates who attempted this part of the question gave reasonable responses.

Weaknesses

- Many candidates substituted the total sales of the cooperative for the purchases of the single member
- Rarely were candidates able to accurately calculate dividends accrued to the single member
- Only a minority of candidates were able to culminate with an accurate computation of the total amount that should be paid to the member

(d) Essential Features of a Cooperative

Strength

- This part of the question was fairly well done by most candidates who attempted it.

Weakness

- Many candidates stated an objective for the formation of a cooperative, rather than identifying a benefit to members of joining a cooperative, as required.

Recommendations

The cooperative movement is a growing sector of the region's financial landscape, providing a wide range of services to members and enjoying increasing importance for the economic viability and stability of the social fabric of Caribbean societies. This being so, teachers are well advised to plan for and focus on this topic as early as possible in the delivery of the syllabus so as to allow students more time to assimilate concepts and more opportunities for practise. Practice questions for this topic should be sufficiently varied to allow for a holistic and dynamic approach that encompasses associated General Journal and Ledger Account(s) entries.

Question 7

This question tested candidates' knowledge of accounting activities related to inventory (stock) valuation. The question was presented in two sub-parts. Part (a) required various computations to arrive at

- (i) closing stock in units
- (ii) closing stock valuations by both FIFO and LIFO valuation methods
- (iii) Gross Profit using the LIFO stock valuation method

Candidates were then tested for knowledge of the effect of different methods of inventory (stock) valuation on profit. Candidates were required to compute AVCO value applicable to the closing stock and to identify the ratio which measures the rate of stock depletion.

Part (b) tested candidates' knowledge of uses of ratios as determinants of performance (profitability) of a business and required them to use some ratio analysis and interpretation skills, based on data provided, to write a short, comparative report about the business' performance vis-à-vis its competitor.

Approximately 33 per cent of candidates attempted this question, 19.26 per cent of whom scored 50 per cent or more of the available marks. The mean mark for this question was 6.20 out of 20.

(a) Stock Valuation Computations

Strengths

In general, candidates who attempted this part of the question performed very well.

- Many candidates were able to correctly calculate closing inventory (stock) valuation using both the FIFO and LIFO valuation methods.
- In calculating Gross Profit for the business, using the LIFO value for closing inventory (stock), most candidates started with the correct computed amount for 'sales', and also arrived at the correct amount for Gross Profit.

Weaknesses

- Although the question clearly required candidates to ‘Show working for ALL calculations’, some candidates performed calculations ‘elsewhere’, and simply put down one final answer as a response to the computation of the amount of units held as unsold stock.
- Some candidates were unable to differentiate between computations using the FIFO and LIFO methods of inventory (stock) valuation.
- Some candidates who presented the calculation of Gross Profit in an Income (Trading Account) Statement failed to include a proper heading for the statement.
- With respect to Part (a) (iv), which assessed candidates’ knowledge of the effect of different methods of inventory (stock) valuation on profit, the results clearly indicated this to be a challenge for the majority of candidates.
- The AVCO inventory (stock) valuation method is clearly under-taught and under-practised as very few candidates were able to compute AVCO cost price for closing inventory (stock) correctly. For example, many candidates divided the sum of the two cost values by 2, rather than dividing by the total number of units available for sale.
- The main use of ‘Stock Turnover Ratio’, as a measure of how quickly a business sells its inventory (stock), was generally not well known.

(b) Ratio Analyses

Strength

- In general, most candidates were able to correctly identify the uses of the ‘current ratio’ and the ‘expenses to sales ratio’.

Weakness

- A proper comparison of the business’ performance with that of its competitor eluded most candidates. Many candidates expressed the view that a higher percentage amount for the ‘expenses to sales ratio’ indicated a ‘better performance’, which is incorrect.

Recommendations

Teachers should encourage students to carefully read and follow given instructions. It is always a very good idea to expose students to a wide variety of questions designed to provide them with targeted practice on computation of closing inventory (stock) valuation using all **three** methods outlined in the syllabus — that is, FIFO, LIFO and AVCO.

However, besides developing the ability to carry out various computations correctly, it is equally important to develop analytical and interpretative skills for assessing the significance of the various valuations on the business’ reported profits.

Teachers should also focus on the development of analytical and interpretative skills in candidates, by helping them to intelligently analyse various ratios demonstrating the financial position of a business, and to make succinct recommendations emanating from such ratio analyses.

Paper 031 — School-Based Assessment (SBA)

The moderated SBA samples revealed that candidates exhibited a good grasp of the accounting concepts in the syllabus. The overall performance could be rated as good.

Strengths

- The majority of projects were neatly presented.
- The language used in the SBA projects was generally good.
- Candidates stated the business information, general activities and operational time frame properly.
- Most candidates completed the debit and credit entries in the ledger.
- Financial statements were well presented.
- Most candidates were able to calculate relevant ratios.

Weaknesses

- Aims were often not related to the project, but instead related to candidates' personal desires.
- A 'transactions listing' was not included.
- Totals were not properly transferred from source documents to the journals.
- Too often, the dates given on source documents did not correspond with dates shown in accounting records.
- For many projects, it was not possible to trace source documents presented through the journals and ledgers.
- Nominal accounts were not closed off. Closing entries (in the General Journal) were not made to have nominal account balances transferred to the relevant Final Accounts. Many candidates failed to use either the 'order of permanence' or 'liquidity' in their Balance Sheet.
- In many instances, candidates presented a graph, but with no accompanying explanations.
- Many candidates were unable to correctly interpret the ratios which they calculated.

Recommendations

- The stated 'aims' should be related to the project — the purpose for undertaking the SBA Project.
- A 'transactions listing' should be included with the SBA Project. Such a listing should be the guide, a 'control list' as it were, to the actual transactions included in the project.
- The inclusion of only one example of each type of source document is inadequate. The May/June 2008 Syllabus (p 29) advises that four different types of source documents are to be used. With regard to chosen source documents, the key word to bear in mind is *traceability*. Therefore, amounts, dates, names and all other pertinent data found on the presented source documents should be an *exact match* and traceable through journals and ledger accounts, and, of course, identified too in the 'transactions listing' which, as previously noted, is the initial 'control list'.
- The POA syllabus at the CSEC level expects candidates to master the preparation of a three-column Cash Book — that is, to provide for cash, bank and discount columns. At the appropriate time, students should progress from the two-column to the three-column Cash Book, and this progress should be reflected in the SBA Project.
- It must be remembered that the Nominal Accounts are, in fact, temporary accounts, which are 'closed off' at end of fiscal period that is, their balances are transferred to the Final Accounts. It is the posting of closing entries (from the General Journal) that generates the Final Accounts (Trading and Profit & Loss Accounts).
- In the presentation of Balance Sheets, the convention has always been that some specific order is observed, namely Permanence or Liquidity.
- All graphs should be accompanied by suitable descriptive/explanatory write ups.

- Similarly, once ratios have been calculated, they should be accompanied by suitable, analytical commentary. Time would be well spent helping students to develop the aptitude for critical thinking and analysis with regard to this dimension of the syllabus.

In conclusion, special mention must be made in relation to the sequential arrangement of SBA Project material. The specific recommendation and points to be noted are:

- The transactions list should be placed immediately after the description/activities of business.
- The transaction list is to be followed by the actual source documents.
- Charts and diagrams are to be appropriately placed in the immediate vicinity to which they apply and where they are discussed, and/or figures and calculations given.
- Ratios calculated should be presented on the same page as the descriptive and analytical discussions.

Adhering to these aspects of 'sequential arrangement' will greatly enhance the reading and marking flow for both classroom teachers and CXC's moderators.

Finally, concerns were raised over the use of the correct and up-to-date mark schemes and syllabus guidelines in the preparation and assessment of SBA projects by teachers. It became apparent to moderators that, in some cases, classroom teachers were using mark schemes from the 2000 syllabus. Please note that an updated syllabus has been in effect for examinations from May/June 2008.

We continue to recommend increasing degrees of collaboration and coordination among teachers of POA intra and inter school/centre, in the standardizing and marking of SBA projects, to continue to develop and reinforce experience and expertise in this area.

Paper 032 — Alternative to SBA

The case study for this paper was based on a sole proprietorship, small business operation, which specialized in the sale of materials for building houses.

The case study tested specific objectives and content taken from the syllabus, as follows:

- Section 2 (S.2): The Classified Balance Sheet
- Section 3 (S.3): Books of Original Entry
- Section 4 (S.4): Ledgers
- Section 5 (S.5): Preparation and Analysis of Financial Statements of Sole Trader
- Section 6 (S.6): End of Period Adjustments

Question 1

In this question, candidates were given the start date of the business and were required to state the closing date. The majority of candidates were unable to determine the accounting period's annual closing date for business operations, even when the start date of the new accounting year was given.

Question 2

This question tested candidates' knowledge of 'source documents'. They were presented with a list of source documents and were required to state why the documents were called source documents. This question proved challenging for most candidates.

Question 3

In this question, candidates were provided with a customized, tabular worksheet and were required to complete this worksheet by linking and matching source documents to their respective journals.

Question 4

This question required candidates to draw up the opening entry in the business' General Journal, using a given list of assets and liabilities with corresponding amounts. Candidates were required to derive the start-up capital amount for the business from the given assets and liabilities. Many candidates were unable to correctly prepare the required general journal entry. There was little regard for the rule requiring that there be a 'debit' part and a 'credit' part to every general journal entry.

In cases where candidates did present debit and credit entries, there were observed weaknesses in the inability to recognize the existing inequality between debits and credits in that combined entry, which was to be redressed with the inclusion of capital to complete the opening entry. Some candidates experienced difficulty in distinguishing between journal entries and entries in a ledger account.

Question 5

This question tested candidates' competencies in calculating and recording depreciation of fixed assets. They were required to interpret given information and calculate the net book value of a fixed asset, using the straight line method of depreciation. The majority of candidates demonstrated competency in calculating the annual amount of depreciation, using the straight line method of depreciation. The formula of $(\text{Cost Price} - \text{Scrap or Residual Value}) / \text{Number of Years of Expected Service}$ was well known and applied. However, some candidates experienced difficulty in arriving at the net book value of an asset. Candidates who were successful at calculating the annual depreciation amount failed to proceed to use that information to arrive at the net book value of the asset. $\text{Annual depreciation amount} \times \text{No. of years asset in use} = \text{Accumulated depreciation amount}$. $\text{Cost price of asset} - \text{Accumulated depreciation amount} = \text{net book value of asset}$.

Question 6

This question tested candidates' competencies in preparing a three-column Cash Book, using a targeted list of transactions. Preparation of a three-column Cash Book was generally well done by most candidates.

Question 7

This question required candidates to draw up a Sales Account in the business' General Ledger and balance that account at the end of the month. Information for completion of this task was derived from the aforementioned transactions listing. Many candidates were unable to prepare and balance the required Sales Account.

Question 8

This question tested candidates' knowledge of the source document used for return of goods by a debtor. Many candidates were unable to correctly identify the source documents that record returns inwards.

Question 9

This question required candidates to prepare a debtor's account in the Sales Ledger. It was generally not well done.

Question 10

For this question, candidates were provided with a short, descriptive list of different types of accounts. They were required to use their interpretative skills and give one example of an account for each item to be found in this proprietor's ledger, extrapolated from previously given information. Most candidates demonstrated good knowledge and understanding of different types of accounts and were able to correctly select one example of the different types of accounts, for example, prepaid was differentiated from accrued expense, long-term liability and account affecting capital.

Question 11

For this question, candidates were provided with a further list of accounts with amounts, typically found in a Trading Account. From this, they were required to calculate Cost of Goods Sold, Gross Profit, Gross Profit Margin (on Sales) and Stock Turnover Ratio. This question was well done. Of the 3, 087 candidates who wrote the paper 032, 15.92 per cent scored at least 20 of the available marks. The mean mark on this question paper was 12.34 out of 40.

Recommendations

- Candidates need to have more exposure to source documents, with emphasis placed not only on defining them, but on the practical application of their impact on other business records, for example, the reflection of purchases invoices in the purchases journal.
- The Balance Sheet equation, otherwise referred to as the fundamental Accounting Equation, must, at all times, be emphasized, not only in a theoretical sense, but in a practical sense as well, so that assets and liabilities can be identified and, if necessary, computed the capital. Included in the instructions on the Accounting Equation should be practical exercises on journalizing opening entries of assets and liabilities and from these, the computation of capital.
- Candidates should be given more exposure to the use of ledgers, including sales, purchases and general ledger. This will help them to become more familiar with the information that is captured in the accounts found in the respective ledgers.
- Candidates should be given practical exercises in the use of all books of accounts, that is, the books of original entry and the ledgers. One of the important outcomes of these exercises would be an emphasis on the difference between journals and ledgers.
- The basic concepts of double-entry accounting should be reinforced, as this will not only ensure that candidates are aware of what would be correct debit and credit entries, but will also aid in giving a clue as to the type of balance that is expected in each account. A further spinoff would be the emphasizing of the correct use of 'c/d' and 'b/d'.
- In most cases, various elements of data were introduced, followed immediately by specific questions relating to that data. However, there were instances where information from previous sections were required to answer questions in subsequent questions. Some candidates lost valuable marks when pertinent items were omitted because they failed to recognize and include the relevant data from a previous question. For example, information from Question 4 was required for preparing the cash book in Question 6. In addition, the preparation of a debtor's account in Question 9 required input from transactions in Question 6.
- Candidates should be advised to approach the answering of questions on the case from a more holistic perspective, seeing each section as a sub-section of a whole, which is in keeping with the sound principles of accounting.