

UNIVERSITY OF MALTA

**THE MATRICULATION CERTIFICATE EXAMINATION
SEC LEVEL ACCOUNTING**

May 2012

EXAMINERS' REPORT

**MATRICULATION AND SECONDARY EDUCATION
CERTIFICATE EXAMINATIONS BOARD**

SEC Accounting May 2012 – Examiners’ Report

Table 1: Candidates’ Grades in SEC Accounting – May 2012

Grades	1	2	3	4	5	6	7	U	Absent	TOTAL
No. of candidates	44	121	145	187	123	36	29	236	108	1029
Option A	44	121	145	133	86	-	-	148	54	731
Option B	-	-	-	54	37	36	29	88	54	298
Total %	4.3	11.8	14.1	18.2	12.0	3.5	2.8	22.9	10.5	100.0

General comments

The examiners seek to examine and assess candidates on all the areas listed in the syllabus. Topics that examine the core competences such as accounting for accruals and prepayments, depreciation, allowances for doubtful debts, correction of errors and the preparation of the financial statements are always an integral part of any examination. The preparation of a set of financial statements from incomplete records is examined regularly in Paper IIA whereas Paper IIB focuses on syllabus areas that demand lower analytical skills.

Presentation of financial statements

All approved formats of the financial statements have been accepted. Candidates were not deducted marks for presenting the statements in formats that are not recommended by the examining board. However, as from 2013 the statement of financial position (balance sheet) must be presented as outlined by IAS 1. It is important that candidates are instructed in this form of presentation. Uniformity in presentation is recommended and the examining board is of the opinion that at this stage there has been sufficient time to change to the recommended format.

The following comments summarise general weaknesses that have been noted, the rectification of which, will assist candidates when these areas are examined in future examinations.

PAPER I

Questions 1 to 10 – Multiple choice questions

Questions 2, 5, 7 and 8 were the multiple choice questions that were generally answered incorrectly.

Question 11

This type of question still creates problems to a number of candidates even though these areas are examined regularly. Accounting concepts are not given sufficient importance and candidates generally fail to relate directly these concepts to the area of study. The income statement was generally well prepared, marks being lost mainly for the incorrect treatment of the allowance of doubtful debts.

Question 12

This question was well answered by most candidates. Manufacturing and Departmental Accounts are clearly topics that are understood by many of the candidates.

Question 13

Candidates generally answered correctly Parts a to c, however marks were lost in Parts d and e of the question.

Question 13e (iv)

A cash sale of €200 less 5% cash discount has been recorded in the books as €200. No corrections have been made.

A cash discount is offered to customers to encourage early settlement of the account. Here, the cash discount has been deducted from the normal price since the transaction was settled immediately. A cash receipt of €190 is issued to the customer but in error the sale was recorded as €200 instead of €190.

It is important to emphasise that this is a cash discount, and not a trade discount since the discount was tied up to the cash settlement.

Although the accounting treatment is identical to the accounting treatment for trade discounts it still remains a cash discount.

Solution

iv)	Sales	10	
	Cash		10

Question 14

Candidates find difficulty in this area of the syllabus.

Question 14d (ii & iii)

The Retained Earnings at 31 March 2012 of €350,000 listed in the Statement of Financial Position is the Retained Earnings balance c/d for next year. This is the balance **after** retaining €55,000 of this year's profit to finance further growth.

The question correctly states that the directors also decided to retain €55,000 profit in the company besides paying an ordinary dividend of 20 cents per share. The directors take these considerations in the appropriation of profit earned during the year. Therefore, it is important to distinguish between the €55,000 ploughed back profit this year and the €350,000 Retained Earnings balance c/d. The €55,000 is **not** the Retained Earnings balance c/d and obviously it cannot be the balance c/d because the Statement of Financial Position represents the end of year balances.

Therefore, one can easily calculate the Retained Earnings balance b/d (refer to solution underneath).

The Profit & Loss Appropriation account can be prepared with the information provided. The question required candidates to think rather than to simply reproduce a format. This type of question is necessary in an exam since the grades awarded must reflect the ability of students and it is one way of establishing the level of competence of candidates.

The Examining Board takes this opportunity to remind all concerned that there have been a few changes in the accounting treatment for company accounts primarily the treatment of proposed dividends. The Examination Panel feels that proposed dividends should not be examined in the present situation so as to provide enough time for the teachers to introduce these changes.

As you are aware the Profit & Loss Appropriation account is incorporated in the Statement of changes in Equity. This year it was decided not to ask specifically for the Profit & Loss Appropriation account since the Board wanted to avoid problems arising from the absence of clear instructions on what is expected from candidates. The Panel suggests that the Profit and Loss Appropriation account remains examinable, and at this level the Statement of changes in Equity is **not** introduced. However, the correct accounting treatment of proposed dividends is expected.

Solution

- d) Calculate the total dividend that has been paid to the ordinary shareholders.

€40,000

Calculate the net profit that has been earned by the company during the financial year ended 31 March 2012.

€40,000 + €55,000 = €95,000

Calculate the amount of retained earnings as at 1 April 2011.

€350,000 - €55,000 = €295,000

PAPER IIA

Question 1

Partnership accounting is generally well understood by the candidates sitting for this paper. However, the following has been noted:

- A number of candidates added instead of subtracted the distributions of profit in the appropriation account.
- Some candidates failed in the preparation of the partners' current accounts.
- A few candidates prepared a statement of financial position instead of an appropriation account.
- The major shortcomings remain as in previous years in the end of year adjustments to the final accounts- accruals and prepayments, irrecoverable debts and allowances for depreciation.

Question 2

The examiners have noticed that there has been an overall improvement in the solutions provided for this type of question. However, the following remain of concern:

- The cash account has to be prepared to determine the cash sales for the financial period.
- A number of candidates are unfamiliar with the use of control accounts in incomplete records. Other answers demonstrate that control accounts were not learnt by reference to the double entry.
- Inappropriate understanding of accruals and prepayments, irrecoverable debts and allowances for depreciatio

Question 3

Candidates were not sufficiently prepared to answer this question. This was the least popular question. Some candidates do not know how to apply the accruals concept, failing to distinguish between a payment and an expense or revenue and receipts. Improvement has been made on past years in the treatment for the allowances for doubtful debts

Question 4

The computation of the depreciation charge using both the straight line method and the reducing balance method was often incorrect. The disposal account causes difficulties to a good number of candidates. The double entry for the disposal of an asset and the computation of the depreciation charges to be reversed upon the asset disposal need to be given more attention. Moreover, a good number of candidates do not have a proper understanding of capital expenditure and many failed to capitalise carriage and installation charges.

Candidates did not prepare the accounts for one year only as instructed.

Question 5

Generally this question was well answered. There were, however, some common mistakes such as the treatment of royalties as a factory overhead and the inclusion of indirect material in the computation of the prime cost.

Marks were lost in the calculation of the cost per unit.

PAPER II B

Question 1

Although correction of errors is regularly tested the candidates failed miserably. Candidates sitting for this paper have fundamental deficiencies in double entry.

Question 2

Very few correct answers were given to this question. Most candidates sitting for this paper were inadequately prepared in this topic. The Board is disappointed to note that the failings of previous years are still present. It is true that that accounting for not-for-profit organisations involves higher order skills but this question examined the core concepts of the topic and it did not involve major difficulties. Very few candidates prepared the subscriptions account correctly.

Question 3

The candidates are expected to be able to calculate capital employed and working capital, even though these figures are no longer present in the Statement of Financial Position recommended by IAS I. Both terms remain important in analysing the performance and the financial position of a business.

Capital employed is either **Non-Current Assets + Working Capital**

or **Capital + Non-Current Liabilities.**

Candidates were not expected to calculate the average capital employed and non-current assets (Paper IIB candidates do not need to be exposed to detailed computations). However, all possible correct answers were accepted.

Question 4

Most of the candidates failed poorly in this question. Candidates demonstrated gross weaknesses in the preparation of the bank reconciliation statement.

Question 5

Candidates were unprepared in this area of study and the answers provided were very poor.

Question 6

This question was answered quite well with many of the candidates obtaining satisfactory marks in contrast to marks gained in other questions. The main shortcoming was in the accounting for the set-off.

Question 7

The preparation of day books and the general ledger accounts involves very simple book-keeping tasks and generally candidates answered correctly.

Chairperson

Examination Panel 2012