



**Coimisiún na Scrúduithe Stáit
State Examinations Commission**

LEAVING CERTIFICATE EXAMINATION 2006

ACCOUNTING

ORDINARY LEVEL CHIEF EXAMINER'S REPORT

HIGHER LEVEL CHIEF EXAMINER'S REPORT

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1. GENERAL INTRODUCTION

The syllabus for this subject, Accounting at Leaving Certificate, was revised in 1995 and assessed for the first time, using a new examination format, in June 1997. The examination in 2006 is therefore the tenth examination of the material in the revised syllabus.

There are two levels of examination, Higher Level and Ordinary Level, and the format and time allocation for both levels are the same. The examination itself is a terminal three hour written examination, without any other components. A written examination is, in fact, the preferred mode for assessment of the theory and practice of Accounting, as relevant principles and applications can be realistically combined in such a test.

2. ORDINARY LEVEL

2.1 Introduction

The examination paper comprises 3 Sections: Financial Accounting (120 marks), Financial Accounting (200 marks) and Management Accounting (80 marks). In Section 1 there are 4 questions, one carrying 120 marks while the other three carry 60 marks each: candidates can attempt either the 120 mark question or two 60 mark ones. In Section 2 there are three 100 mark questions and candidates are required to take any two. In Section 3 there are two 80 mark questions and candidates must answer one of these.

2.2 Performance of Candidates

The number of candidates who attempted the Ordinary Level Accounting paper in 2006 was 1930. This was one less than the number who took this level in 2005 and is a reduction of 0.4% on the number of candidates who sat this level in 2003, the year of the last published Chief Examiner's report.

The following is a summary of the number and percentage of grades awarded to those candidates in 2006:

Grade	A	B	C	D	E	F	N/G
Number	377	456	414	353	144	127	59
Percentage	19.5	23.6	21.5	18.3	7.5	6.6	3.0

A breakdown of these percentages and grades is included in the table set out below, with comparable results for the last 6 years.

Year	Total	%A1	%A2	%B1	%B2	%B3	%C1	%C2	%C3	%D1	%D2	%D3	%E	%F	%NG
2006	1930	12.8	10.2	6.8	7.8	9.1	5.3	7.0	6.1	4.9	5.0	7.6	6.8	6.6	4.0
2005	1931	10.2	9.1	7.3	7.9	8.7	5.5	8.4	7.5	4.4	5.8	8.1	7.5	6.5	3.1
2004	1988	11.6	10.5	7.4	8.5	9.9	5.9	7.1	7.3	5.0	4.8	7.0	5.3	6.3	3.4
2003	2005	11.5	10.0	9.7	8.9	11.5	7.1	6.2	6.5	4.2	3.7	6.4	5.3	6.2	2.8
2002	2364	9.9	10.1	6.3	8.2	9.8	6.4	6.3	7.4	4.2	5.1	8.2	6.4	7.1	4.3
2001	2458	8.5	9.4	6.2	9.0	10.6	7.5	7.6	7.5	4.8	5.1	8.3	6.5	6.2	2.8

The order of popularity in answering and the percentage marks and rankings per question were as follows (Sample 20 returns):

Question	Topic	% Uptake	Popularity	% Earned	Ranking
Section 1 (120)	Financial Accounting				
1 (120 marks)	Departmental Accounts	68%	3	74%	3
2 (60 marks)	Depreciation/Revaluation	18%	9	68%	9
3 (60 marks)	Service Firm Accounts	21%	7	73%	5
4 (60 marks)	Bank Reconciliation	23%	6	70%	7
• Section 2 (200)	Financial Accounting				
5 (100 marks)	Interpretation of Accounts	84%	1	74%	4
6 (100 marks)	Incomplete Records	20%	8	69%	8
7 (100 marks)	Cash Flow Statement	81%	2	77%	1
Section 3 (80)	Management Accounting				
8 (80 marks)	Cost Vol. Profit (Marginal)	63%	4	76%	2
9 (80 marks)	Cash Budgeting	39%	5	71%	6

The overall results in the subject in 2006 were slightly down on those for recent years though better than those achieved in 2002: the percentage of ABC grades was 64.6% compared with the slightly higher 65.1% last year. Within this, the A grade percentage at 19.5% in 2006 was 3.4% down on 2005 and 2.1% less than recorded in the 2003 examiner's report.

The E, F and NG grades at 17.1% were down 0.3% on last year but up 2.7% on 2003: the average in these grades over the past 6 years was 16.2%. As there is no evidence of time shortage in the scripts presented, the low marks for these candidates are due to the absence of correct responses and accurate solutions. In Section 2, 6% of candidates attempted only one question and 3% of candidates in Section 3 failed to attempt any question.

Although a large proportion of candidates who prepared very well took Accounting at Ordinary Level there was also a significant group with poor results. The standard of answering by these candidates provided clear evidence of a limited foundation in Accounting. It is disappointing that as many as 9.6% of candidates were unable to achieve a grade E. As the pattern over the years has been similar, it seems that a significant group of candidates find the subject challenging and fail to master the basics required to gain a reasonable level of result.

2.3 Analysis of Candidate Performance

Section 1: Financial Accounting (120 marks)

The majority of candidates (64%) choose Question 1 rather than the two sixty mark question option in this section.

Question 1: Departmental Final Accounts of a Limited Company

This question was attempted by 68% of the candidates. The average mark gained was 89 marks or 74% of marks available. The question was not as well answered as in previous years and was also attempted by fewer candidates. While most candidates understood how to answer the ‘departmental’ analysis required in the question, a sizeable number, it seems, had not prepared adequately for this element and thus lost marks in the Trading and Profit and Loss Accounts. As the Balance Sheet did not require any specific ‘departmental’ approach it caused little difficulty and was well answered by most candidates.

When marks were lost, they were lost for the following reasons:

- omission of sales returns and carriage inwards in the Trading Account
- presentation of total Profit and Loss account, without breakdown for departments
- incorrect figures for insurance and omission of insurance prepaid
- incorrect apportionment of expenses (using incorrect basis)
- omission of debenture interest in the Profit and Loss Account and omission of interest due in the Balance Sheet.

Question 2: Depreciation and Revaluation of Fixed Assets

This was the least popular question in this section, and in the entire paper, being attempted by 18% of candidates. The average mark gained was 41 marks or 68% of total marks, and the lowest return in the examination. The question was well answered by some who knew what they were required to do: many candidates taking it displayed a poor knowledge of double entry principles.

Marks were lost for the following reasons:

- total reversal of entries in the respective accounts
- omission of a revaluation account
- omission of revaluation entries in Buildings and Provision Accounts
- preparation of accounts for only one year
- non-recognition of profit on disposal
- incorrect depreciation in 2005.

Question 3: Accounts of a Service Firm

This question was attempted by 21% of the candidates with an average mark gained of 44 marks, 73% of the maximum. In general the question was reasonably well answered as it was attempted mainly by candidates who had prepared well within the group not opting to take Question 1.

When marks were lost, they were lost for the following reasons:

- incorrect calculation of interim dividends
- incorrect proposed dividends
- incorrect general reserve at 31 Dec.
- incorrect profit and loss balance on 31 Dec.
- omission of authorised capital in balance sheet.
- omission of taxation in balance sheet.

Question 4: Bank Reconciliation Statement

This was the most popular of the 60 mark questions with an attempt rate of 23%. The average mark gained was 42 marks or 70% of available marks. It was the most popular of the optional questions in Section 1 and was quite well answered.

The adjusted bank account (a) was well answered with some candidates gaining full marks. The bank reconciliation statement was not as well answered, as some candidates had difficulty selecting the correct entries to be included in this statement. The candidates who did not perform well either ignored this statement, or were so confused in their answers that they merited very few marks. A sizeable number merely reproduced both the bank account and the bank statement and made a few adjustments.

Most common mistakes were made in dealing with:

- interest received
- dishonoured cheque
- error €360 on 28th April.

Section 2: Financial Accounting (200 marks)

By far the most favoured choices of candidates in this section were Interpretation of Accounts Q5 and Cash Flow Statement Q7. The Incomplete Records question was least popular with an uptake of only 20%.

Question 5: Interpretation of Accounts

This was the most popular question on the paper, being attempted by 84% of the candidates. The average mark gained was 74 marks, or 74%. The standard of answering in this topic has continued to show improvement: candidates who had prepared thoroughly for this area fared well in this question and many of them gained in excess of 90 marks. However, this question was also

attempted by a number of candidates who had a little knowledge of the topic and who, perhaps, should have chosen a different 100 mark question. The average mark has been affected by the poor attempts made by these candidates who were awarded lower scores.

Part (a) was well answered, apart from the acid test ratio, where many candidates incorrectly used current assets. The candidates who prepared less well also had difficulty with the percentage mark-up on cost and the calculation of the opening stock figure.

Part (b) in general was not as well answered as part (a). Many candidates had difficulty explaining intangible assets and capital employed. However, both debentures 2007/2009 and rate of stock turnover presented less difficulty.

Part (c) was poorly answered except by candidates who prepared well. Only these candidates commented on the liquidity and used the acid test ratio as a back up.

Part (d) was a mixture of good and poor answers. The candidates who prepared well calculated the return on capital employed for 2005 but some were unable to provide appropriate comment or comparison. Fewer still compared the 2005 figure with the return on risk free investments. The lower scoring candidates used only the gross profit percentage in their answers.

Question 6: Incomplete Records

This question was by far the least popular of the 100 mark questions and second last in the overall popularity list, with an attempt rate of 20%. The overall return was also on the low side with an average mark of 69, or 69% of total marks, the second lowest return of all the questions in the paper. Some candidates omitted the control accounts.

Part (a) was generally well answered with full marks being often achieved. However, some candidates included cash sales in the control account and included them again when computing total sales. The same type of error was seen in the computation of total purchases.

In part (b), a frequent error was the treatment of commission received as an expense and rent paid as a gain. Another common error was the omission of expenses due €10 on 1st January, 2005 and

€740 on 31st December. Cash purchases and cash sales were often used instead of total purchases and total sales.

Part (c) was well answered, but marks were lost through:

- failure to include furniture
- omission of expenses due
- omission of bank figure
- incorrect capital for 1st January, 2005.

Question 7: Cash Flow Statement

This question was second in the popularity list with an attempt rate of 81%. The average mark gained was 77 marks or 77% of total marks. In general, this question was well answered and it turned out to be the most rewarding for the candidates in the paper. This was the question that provided the highest number of fully correct scripts. The majority of candidates correctly selected the transactions that affected cash flow but fewer understood whether the result was an inflow or an outflow. The answering to part (c) was much improved on previous years.

When marks were lost, they were lost for the following reasons:

- omission of depreciation
- omission of the words increase or decrease in the reconciliation statement
- inclusion of dividends due and taxation due rather than amounts paid
- cash flows entered under incorrect heading
- incorrect increase in cash.

Section 3: Management Accounting (80 marks)

Almost two thirds of the candidates picked the Marginal Costing question as opposed to the Cash Budgeting option.

Question 8: Cost Volume Profit Analysis (Marginal Costing)

This was fourth in the popularity list with an uptake of 63%, while the average mark gained was 61 marks or 76% of total marks putting it second in the overall return table. In general, this question was well answered, often providing full marks for the candidates who prepared well. It was also attempted by many of the candidates who were awarded lower scores, resulting in a lower than expected average mark in the question. Parts (a), (b) and (c) presented little difficulty to most candidates but parts (d), (e) and (f) proved to be more testing.

When marks were lost, they were lost for the following reasons:

- lack of knowledge of the break-even formula in part (e)
- confusion over the margin of safety formula in part (f)
- omission of the margin of safety in sales value also in part (f)
- failure to calculate the targeted sales formula in part (g)
- failure to round up the unit figures.

Question 9: Budgeting

This was fifth in the popularity list with an attempt rate of 39%. The average mark gained was 57 marks or 71% of total marks. The candidates were familiar with this area from Junior Certificate Business Studies and therefore in general attempted it with confidence.

In part (a) marks were lost through:

- failure to compute the sales receipts for June and July
- failure to deal correctly with the cash amount of €19,000 in August
- omission of net monthly cash flow
- incorrect treatment of opening bank overdraft as a positive bank balance.

Part (b) was often omitted or answers given that were not relevant.

2.4 Conclusions

- A steady decline in the numbers taking this subject each year since 1991 seems to have bottomed out in 2003 when 6,699 candidates took the examination and more candidates have taken the subject each year since then. The total candidature in 2006 was 6897, an increase of 3.0% on the 2003 level. The average numbers taking the subject in the four years up to 2006 was 6919 per year. The Ordinary Level number of candidates was the lowest ever in 2006 at 1930. Ordinary Level numbers over the past four years have averaged 1964 candidates and the uptake in 2006 was only 1 less than in 2005.
- The results in the examination at Ordinary Level in the six years since 2001 also seem to have stabilised with an average A grade percentage of 20.6% (2006-19.5%) and an ABC average of 66.7% (2006-64.6%). The E, F and NG grade percentage in 2006 was 17.1%, somewhat higher than the 16.2% average over the period but 0.3% less than last year.
- If the average marks earned in the most popular combination of questions, i.e. questions 1, 5, 7 and 8, are combined, they would total 301 marks, a B2 grade, 9 marks less than the same formula applied to the 2003 results as outlined in the last published Chief Examiner's report in this subject.
- The revised syllabus seems to have 'settled down' over the past ten years and the new areas of the programme appear to be quite accessible. This, allied to candidates' familiarity with the question types used and the ready availability of the model solutions and marking schemes, have helped contribute to excellent results by the more motivated candidates. These good results also reflect the work of dedicated and focussed teachers who continue to promote the subject in their schools and to develop and hone the specialised knowledge and diverse skills required of candidates.
- Question 1 (68% uptake) was the most popular option in Section 1 and the average percentage marks earned here at 74% were the third highest overall in the paper. It is, however, normally a long and relatively complex question and the other 32% of the candidates opted to take two others from the Section (Questions 3 and 4 this year) as they

perceived that these were shorter and more straightforward, provided that they knew how to tackle them. These candidates may, however, be impairing their chances of performing well in Section 2 of the paper where a mastery of final accounts will often be the basis of the answers required here. The three questions in Section 2 this year required an understanding of final accounts and mastery of Question 1 would certainly have formed a good basis for these.

- In Section 2, Question 5, Interpretation of Accounts, was the most popular choice. At this level of the examination this question is normally quite straightforward and it yielded the fourth best return of all the questions on the paper. The scripts show some evidence that a minority of candidates is unable to answer the other questions in this section: it appears that they may concentrate on Question 1 and 5 and gamble that a good performance in these will get them to a D grade. If they get 55% in both questions they will achieve a D grade and if they are fully correct they will earn a C3 grade. This tendency for scripts at Ordinary Level to have less than the full number of questions attempted, contributes to the 1 in 10 candidates who fail to achieve 100 marks in the subject.
- Section 3 had a favourite choice in Question 8, which was considerably more popular than the alternative Question 9. The average percentage mark earned by candidates who attempted this question placed it in first place in this section, and second overall.
- The subject requires candidates to grapple with and grasp a number of fairly difficult procedural and mathematical principles and an incomplete understanding of these tends to lead to difficulties across the board in the subject. The candidates who performed less well tend to attempt a limited range of questions and in an increasing number of cases a limited number of questions.
- Candidates with lower scores tend to rely on Question 1 and, to a lesser extent, on Question 5, for the major proportion of their marks and tend to gain less than average marks in the other questions they attempt. Question 7 on Cash Flow came to the rescue of a sizeable proportion of candidates and it produced the best overall return to the 4 out of 5 candidates that attempted it.

2.5 Recommendations for Teachers and Students

- All students who opt for Accounting at senior cycle have displayed some interest in the mathematical focus of the subject. As much as possible they should be encouraged in order to achieve a sense of success in the subject. For those who may be less mathematically inclined this would imply a straightforward introduction to topics with gradual addition of difficulties and complications. In examinations and tests, straightforward and recognisable questions should help these candidates to demonstrate their knowledge. Over the years the examination paper at Ordinary Level has been framed to reflect this.
- The percentage of E, F and NG grades at Ordinary Level is high at 17.1%. In Accounting there can be a range of students who get discouraged early on with their lack of success in areas of the programme which can lead to a sense of hopelessness. These students should be given every opportunity to gain competence and confidence in correct approaches. Time spent on the basic framework for tackling a solution should be particularly helpful. Candidates taking the Ordinary Level examination can be encouraged by achieving success through a consistent, simplified and methodical approach.
- This examiner's reports can be of use to teachers and students in identifying the areas of questions that can cause difficulty and should be used to develop the awareness in students of the common problems and help them to increase their confidence by answering questions correctly. In this way students can be more capable of dealing accurately and competently with the different types of issues and topics involved.
- Accounting is sometimes seen as a complex subject in itself and difficult to get a high grade in. It should be highlighted that figures do not bear out this view. At Ordinary Level, one fifth of candidates gain an A grade and two thirds gain an A, B or C grade. It is not a subject in which general business knowledge will help students to augment their formal textbook material. It is very specifically based on mathematical accuracy and problem-solving. The answers required are clear and precise and concentrated preparation and method should help yield a satisfactory return in terms of grades.

- Students who take the subject should be informed that they have gained a head start for relevant programmes outside of school such as Commerce/Business, Accountancy, Computing and Engineering. They have also learned the principles of preparing accounts and keeping books which can be invaluable for entrepreneurs who become involved with clubs and in setting up and running their own businesses. Knowledge of it can form a useful theoretical basis for the large proportion of computing applications that are based on data warehousing, manipulation and mining central to administration and management.
- All these specific benefits should help the subject to retain a core of interested students even if the numbers do not rival those taking the more general Business programme.

3. HIGHER LEVEL

3.1 Introduction

The examination paper comprises 3 Sections: Financial Accounting (120 marks), Financial Accounting (200 marks) and Management Accounting (80 marks). In Section 1 there are 4 questions, one carrying 120 marks while the other three carry 60 marks each: candidates can attempt either the 120 mark question or two 60 mark ones. In Section 2 there are three 100 mark questions and candidates are required to take any two. In Section 3 there are two 80 mark questions and candidates must answer one of these.

3.2 Performance of Candidates

The number of candidates who attempted the Higher Level Accounting paper in 2006 was 4,967. This represents a reduction of 2.5% on the number who took this level in 2005 but is an increase of 5.8% on the number who sat the level in 2003, the year of the last published Chief Examiner's report.

The following is a summary of the number and percentage of grades awarded to those candidates:

Grade	A	B	C	D	E	F	N/G
Number	1011	1599	1116	796	293	126	26
Percentage	20.4	32.2	22.5	16.0	5.9	2.5	0.5

A breakdown of these percentages and grades is included in the table set out below, with comparable results for the last 6 years.

Year	Total	%A1	%A2	%B1	%B2	%B3	%C1	%C2	%C3	%D1	%D2	%D3	%E	%F	%NG
2006	4967	8.7	11.7	12.0	10.2	9.7	8.4	7.4	6.8	5.8	4.6	5.8	5.9	2.5	.5
2005	5092	7.2	13.6	15.6	13.8	12.5	7.3	7.3	4.8	4.6	3.1	3.7	3.7	2.2	.6
2004	4858	9.4	11.6	11.7	11.5	10.5	8.1	8.2	7.7	5.1	4.2	5.7	4.5	1.4	.4
2003	4694	8.9	11.9	12.2	12.0	10.5	7.7	7.9	6.4	4.9	4.8	5.5	4.7	1.9	.7
2002	4706	8.0	10.9	10.9	10.4	10.8	8.5	8.1	7.6	6.2	5.1	6.5	4.7	1.8	.5
2001	4941	7.6	11.0	11.9	11.0	10.7	8.3	8.1	7.8	5.8	5.2	5.3	4.7	2.0	.6

The order of popularity in answering and the percentage marks and rankings per question were as follows (Sample 20 returns):

Question	Topic	% Uptake	Popularity	% Earned	Ranking
Section 1 (120)	Financial Accounting				
1 (120 marks)	Sole Trader Final Accounts	60%	3	80%	1
2 (60 marks)	Farm Accounts	36%	8	75%	4
3 (60 marks)	Cash Flow Statement	37%	7	72%	8
4 (60 marks)	Published Accounts	8%	9	68%	9
Section 2 (200)	Financial Accounting				
5 (100 marks)	Interpretation of Accounts	50%	5	73%	6
6 (100 marks)	Tabular Statement	82%	1	78%	2
7 (100 marks)	Correction of Errors	67%	2	75%	5
Section 3 (80)	Management Accounting				
8 (80 marks)	Marginal and Absorption	48%	6	73%	7
9 (80 marks)	Flexible Budgeting	58%	4	76%	3

The overall level of results was slightly lower than in recent years, though the percentage of A grades was the same as in 2005. The level of ABC grades was lower than in the past three years but was the same as in 2002. The percentage of candidates who failed to achieve a D grade this year at 8.9% was 2.3% higher than last year, though lower than the 9.2% in 2000.

There was little evidence of time shortage, with 5% of candidates attempting an extra question. This figure reflects the 7% of candidates who attempted both questions in Section 3 and a smaller than usual proportion, 1% of candidates, who did not attempt either of the questions here. This is why the total percentage uptake in the table above for Section 3, amounts to 106% (48 + 58).

A large proportion of candidates presented their answers in pencil in the standard unruled answerbook. Many of these candidates returned an unused Accounting answerbook with their completed scripts, thus adding to the work of the examiners who had to confirm that there were no solutions or rough work in these booklets.

3.3 Analysis of Candidate Performance

Section 1: Financial Accounting (120 marks)

More than half of the candidates (60%) attempted Question 1 with 40% choosing the two sixty mark question option.

Question 1: Final Accounts of a Sole Trader

This question was third in the popularity list but first in percentage marks earned, with many candidates scoring over 110 marks. The average mark earned for this question was 96 marks, 80% of the maximum available. Around two thirds of the candidates gained an A grade in this question compared with less than 20% in the other three questions in this Section.

In most cases work was presented neatly and workings were clearly shown. Lower scoring candidates, although failing to show workings and consequently losing marks, nevertheless, fared better here than those attempting the other questions in this section.

The areas that caused most difficulty and consequent loss of marks were:

- incorrect figure for purchases as a result of payment for delivery van and goods in transit
- incorrect write off for patents
- incorrect figure for salaries and general expenses
- incorrect depreciation on buildings and delivery vans
- omission of loss on sale of delivery van or incorrect figure
- incorrect figure for provision for bad debts
- incorrect figure for mortgage interest and mortgage interest due
- incorrect figure for discount
- incorrect figure for delivery vans
- incorrect figure for investment income and investment income due
- incorrect figure for mortgage interest due
- incorrect figure for VAT
- incorrect revaluation reserve.

Question 2: Farm Accounts

This question was attempted by 36% of the candidates, with the majority of the candidates who did not take Question 1, choosing this one. The average mark earned was 45 marks or 75% of the total available, the highest of the alternative questions in Section 1. In general it provided reasonable answering with many candidates gaining in excess of 50 marks.

Part (a) was well answered by most of the candidates but inaccurate and inadequate answers to the remaining parts by many candidates meant that 20% of the candidates failed to achieve a D grade overall in the question.

Marks were mainly lost in the following areas:

- omission of bank €2,800, loan €15,000, investments €15,000 and loan interest due €1,050
- incorrect figure for interest receivable and loan interest in Profit and Loss Account
- incorrect figures for sale of milk, light and heat, veterinary fees and fertiliser.

Question 3: Cash Flow Statement

This question was marginally the most popular of the 60 mark questions with an uptake of 37%. The average percentage earned was 72%, slightly lower than for Question 2. It provided the lowest EF and NG level of grades in Section 1. In general, the question was well answered with neat presentation and in an up to date format.

When marks were lost, they were lost for the following reasons:

- omission of depreciation or incorrect depreciation
- incorrect figure for profit on sale of machinery or omission of this item
- omission of the word 'increase' in the reconciliation statement
- inclusion of dividends due and taxation due rather than amounts paid
- omission or misplacement of Government Securities
- entering of cash flows under incorrect heading
- incorrect decrease in cash

- incorrect net debt €67,800.

The Reconciliation of Net Debt was not as well answered as the earlier parts of the question: some candidates did not produce any answer here and consequently lost 4 marks.

Parts (b) and (c) provided poor answers generally with much vagueness on the concepts of Profit/Cash and Non-Cash Gains.

Question 4: Published Accounts

This question was by far the least popular of the 60 mark questions at 8% and the least popular question on the whole paper. The average percentage of marks gained was 68%.

It was well answered by most, though some candidates, perhaps forced to attempt it through lack of alternatives, fared badly.

When marks were lost it was mostly as a result of:

- incorrect sequence of entries in the Profit and Loss Account
- incorrect figure for cost of sales
- incorrect order and figures for distribution costs and administrative costs
- incorrect figure for patents amortised and depreciation
- incorrect figures for dividends paid and dividends proposed
- incorrect figures for debenture interest and investment income.

A very small number of candidates answered the part (b) theory well but the majority either ignored it or gave vague answers.

Section 2: Financial Accounting (100 marks)

Half of all candidates attempted the Incomplete Records question (Q5) while over four out of five candidates took the Tabular Statement question (Q6). Correction of Errors (Q7) was more popular than Question 5.

Question 5: Interpretation of Accounts

This question was fifth in the overall popularity list and the least popular of the 100 mark questions with an attempt rate of 50%. The average mark gained was 73 marks representing 73% of total marks, 5th in percentage return of all the questions and matching its overall popularity. The question produced the second lowest E, F and NG rate on the paper. The candidates who prepared less well, as in previous years, had difficulty with this area of the syllabus, but candidates who prepared well earned a good reward for their efforts.

Part (a), being quite specific in the answers required, was well answered and was a source of high marks for most candidates, with a good percentage of them gaining full marks.

When marks were lost it was mostly as a result of:

- not deducting credit sales from overall sales when calculating cash sales
- not adjusting earnings with preference dividend when calculating earnings per ordinary share
- using incorrect dividend per share when calculating the period to recoup the market price
- use of incorrect ordinary dividend when calculating dividend yield--some students used total dividend.

Part (b) of this question was not as well answered as part (a). Candidates displayed a good ability to provide relevant figures but were unable to provide adequate comment on these figures. Not enough information was extracted by many candidates from the given accounts and vital information was omitted, particularly by less well prepared candidates, such as:

- trends
- sector

- market value of share
- gearing and interest cover
- return to shareholders
- dividends and dividend cover.

Part (c) was not well answered as a significant number of candidates relied on the format of previous years and related the points made to shareholders rather than to debenture holders. Many candidates failed to recognise that the company had a serious liquidity problem and very little advice was offered except by the higher scoring candidates.

Question 6: Tabular Statement

This question was the most popular of the 100 mark questions, and first also in the overall popularity list, with an attempt rate of 82%. The average mark gained was 78 marks or 78% of total marks, putting it second in overall return.

The areas that caused most difficulty, with consequent loss of marks, were:

- incorrect revaluation reserve figure
- incorrect depreciation on land and buildings
- omission of goodwill
- incorrect charge for insurance
- omission of insurance prepayment at 31/12/2005
- incorrect transfer to profit and loss and current liability for rent received
- incorrect interim dividend and incorrect entry in share capital account
- failure to arrive at the correct final figures for bank and profit and loss.

Question 7: Correction of Errors and Suspense Account

This question was the second most popular in Section 2, and second overall, having been attempted by 67% of the candidates. The average mark gained was 75 marks or 75% of total marks. Candidates displayed a better understanding of this area than in previous years but had difficulty in answering the theory section (e). The Suspense account, Profit and Loss Account and Balance Sheet were well answered and gave a good return of marks.

Marks were lost because of:

- confusion of purchase of stock with purchase of an asset in correction (i)
- incorrect figure for creditors and suspense in correction (ii)
- failure to recognise discount in correction (iii)
- failure to recognise drawings/capital in correction (iv)
- failure to recognise rent as an expense and as debtor for rent prepaid in correction (v)
- omission of narratives in Journal
- omission of some corrections from Balance Sheet.

Section 3: Management Accounting (80 marks)

The most popular choice in this section was Flexible Budgeting which was fourth in popularity overall.

Question 8: Marginal and Absorption Costing

This question was attempted by 48% of the candidates yielding a return of 58 marks or 73%. Candidates used a wide variety of answering techniques and approaches in the marginal costing area, but nonetheless produced the correct answers. While the marginal costing section, part (a), was well answered, the answering in absorption costing section, part (b), was very mixed. Many candidates were unable to explain the difference between Marginal and Absorption costing.

The most common errors were:

- incorrect calculation of contribution per unit and use of figure in break-even point

- commission 5% incorrectly included in fixed costs
- failure to include the 5% commission for new sales figure in calculating new contribution
- incorrect variable cost used to calculate new profit at new selling price of €11
- failure to round up units
- failure to present two statements in part (b): marginal and absorption costing statements
- incorrect closing stock and contribution figures in profit statements.

Question 9: Flexible Budgeting

This question was attempted by 58% of the candidates, earning an average mark of 61 marks, representing 76% of total marks. This puts it third in the overall rankings in percentage per question earned.

There were many variations in the approaches to part (a) but generally these led to correct answers. Parts (b) and (c) were poorly answered by contrast and candidates struggled to gain marks. Many answers here were vague and did not display an understanding of adverse variance, nor of controllable and uncontrollable costs.

When marks were lost it was mostly as a result of:

- inability to separate fixed and variable costs accurately
- failure to establish the number of units at 95% activity
- failure to show contribution in marginal costing statement
- failure to calculate production overheads at 95% activity
- failure to calculate other overheads at 95% activity.

3.4 Conclusions

- A steady decline in the numbers taking this subject each year since 1991 bottomed out in 2003 when 6,699 candidates took the examination at both levels. The total candidature in 2006 was 6897, an increase of 3.0% on the 2003 level. The average numbers taking the subject over the past four years have averaged 6919 per year. The number of candidates at Ordinary Level was the lowest ever in 2006 (1930) but only 1 less than in 2005. The numbers at Higher Level in 2006 (4967) were actually marginally up on the numbers who sat this level in 2001 (4941).
- The results in the examination at Higher Level since 2001 also seem to have stabilised with an average A grade percentage of 19.9% (2006-20.4%) and an ABC average of 77.5% (2006-75.1%). The E, F and NG grade percentage in 2006 was 8.9%, somewhat higher than the 7.2% average over the six year period. This increase of 1.7% in 2006 reflected the incomplete nature of some of the scripts, where only one or two questions were attempted, often badly, thus minimising the chances of gaining the marks required for a D grade.
- If the average marks earned in the most popular combination of questions, i.e. questions 1, 6, 7 and 9, are combined, they would total 310 marks, a B2 grade, 13 marks more than the same formula applied to the 2003 results as outlined in the last published Chief Examiner's report in this subject.
- The revised syllabus seems to have 'settled down' over the past ten years and the new areas of the programme appear to be quite accessible. This, allied to candidates' familiarity with some of the question types used and the ready availability of the model solutions and marking schemes, have helped contribute to the excellent overall performance. This high overall standard is also a direct reflection of the work of dedicated and focussed teachers who continue to promote the subject in their schools and to develop and hone the specialised knowledge and diverse skills required of candidates.
- Question 1 (60% uptake) is the most popular option in Section 1 and the average percentage marks earned here at 80% are the highest overall in the paper. It is, however,

normally a long and relatively complex question and the other 40% of the candidates opted to take two others from the Section (Questions 2 and 3 this year) as they perceived that these were shorter and more straightforward, provided that they knew how to tackle them. These candidates may, however, be impairing their chances of performing well in Section 2 of the paper where a mastery of final accounts will often be the basis of the answers required here. Two of the questions in Section 2, Questions 5 and 6, together with Question 7, required an understanding of final accounts and mastery of Question 1 would have formed a good basis for these also.

- In Section 2, Question 5, Interpretation of Accounts, was the least favoured choice. Candidates had difficulty with this area in that candidates were asked to analyse a business and assess its performance and prospects. It produced the worst return in this Section. It is also likely that the question was taken by some students who could only attempt one of the other two questions in the Section and this would have tended to adversely affect the average marks earned. Some candidates approached the answer to part (b) from the viewpoint of shareholders and not debenture holders
- Section 3 had a favourite choice in Question 9, which was somewhat more popular than the alternative Question 8. The average percentage mark earned by candidates who took this question placed it in third place overall. The return was reduced for many candidates by vague responses to the theory parts of the question, parts (b) and (c).

3.5 Recommendations to Teachers and Students

- Constant practice at problems covering the topics should be given, particularly for candidates who have to work hard to master principles and procedures. Candidates tend to perform better in areas where they have an overall understanding of the framework on which topics are based. A methodical approach, and strategy specific to each area, should be of considerable help to candidates in assisting them to produce correct and valid answers. The listing of areas that tend to cost marks outlined in this report should be used in classes to highlight the possible pitfalls and should also be used as a 'check list' before, and after, attempting revision exercises in the topics.
- It should be emphasised that the choice given in the various sections of the paper is for the purpose of enabling candidates to maximise their performance in the subject by attempting the questions with which they are most comfortable. It is not intended that candidates will use this choice to limit their programme of study.
- Accounting is sometimes claimed to be a complex subject in which it is difficult to get a high grade. It should be highlighted that figures do not bear out this view. The results over the past six years show that approximately one fifth of the Higher Level candidates gain an A grade and over three quarters achieve an A, B or C grade. It is, however, not a subject in which general or business knowledge will help students to augment their formal textbook material. It tends to be practical, mathematical and specific. The answers required are particular, precise and published and concentrated preparation and method are required for a satisfactory return in grades. Methodical accuracy and regular practice should yield a satisfactory return.
- Students who take the subject should be informed that they have gained a head start for relevant programmes after school such as Commerce/Business, Accountancy, Computing and Engineering. They have also learned the principles of keeping books, preparing accounts and managing costs, which can be useful for young people who become involved in clubs or setting up and running their own businesses. Knowledge of it can form a useful theoretical basis for the large proportion of computing applications that are

based on data warehousing, manipulation and mining central to business administration and management. All these specific benefits should help the subject to rouse, retain and reward a core of interested students even if the numbers will never rival those on the more general Business programme.