

## PRINCIPLES OF ACCOUNTING II – PAPER 5

### 1.0 General Performance

- Overall performance deteriorated significantly. The pass rate was 44.23% down from 54.08% in the December 2010 examinations diet.
- 65% of the candidates attempted the five questions required by the examination. However, it was clear that candidates were not appropriately prepared for an examination from every area of the syllabus since they registered a pass rate above 80% in some questions and yet the pass rate in other questions was 10%.
- Questions 3, 6, and 7 were the best answered questions while performance in Questions 2, 4 and 5 was far below average. Performance in question 2 that carries 60% of the pass mark was below average indicating that the overall performance was grossly affected. Questions 4 and 6 were least attempted.

### 2.0 PERFORMANCE IN INDIVIDUAL QUESTIONS

#### 2.1 Question 1:

- This was a set of 20 multiple-choice questions which were compulsory. The areas specifically tested by the multiple-choice questions, and not necessarily in the essay or computational questions included issues to do with basic principles of partnership accounts, legal framework of limited companies, and consignment accounts.
- All candidates attempted this question and registered a 58.65% pass rate. This was not satisfactory given that the basic principles are addressed by the multiple-choice questions.
- Candidates are expected to register a pass rate of over 70% in order to assure the examiner that they are ready for the next accounting paper.

#### 2.2 Question 2:

- Required candidates to: (a) prepare statements of: comprehensive income and financial position for internal use, and (b) distinguish between public sector and private sector accounting in Uganda.
- Some candidates did not attempt this question despite the fact that it was compulsory and a determinant of the overall pass rate since it carries 60% of the pass mark.
- 98% of the candidates attempted this question and registered a 35% pass rate. Most of them demonstrated knowledge of the adjustments made in both the financial statements for closing inventory, accrued expenses and prepaid expenses. However, 50% of the candidates did not derive correct figures for accumulated depreciation for plant and motor vans, and lost the respective marks allocated. 70% of the candidates failed to derive the figures for provision for doubtful debts to be recognised in both financial statements.
- While the question stated that the total dividend for the year was 15% on issued share capital, some candidates derived total dividend as the sum of the interim dividend and 15% of the issued share capital!
- In part (b) of the question candidates registered an 18.6% pass rate. Most of them gave the definitions of public and private sectors other than the distinction between public sector and private sector accounting and lost valuable marks!

**2.3 Question 3:**

- Required the candidates to: (a) explain how the following are derived: (i) prime cost, (ii) cost of production and (iii) total costs, (b) prepare schedules for (i) factory overheads, (ii) prime cost, (iii) cost of finished goods, (iv) cost of sales and (v) net income for the year from the information provided.
- 96% of the candidates attempted this question and registered a 73% pass rate. 28% of the candidates answered this question only in part and did not provide answers for some parts of the question. In part (a) (ii), 50% of the candidates explained how to derive total production cost instead of total cost of a manufacturing company as required and lost valuable marks accordingly.
- However, candidates demonstrated that they possessed reasonable knowledge on most issues examined under manufacturing accounts.

**2.4 Question 4:**

- Required candidates to: (a) list four benchmarks used for accounting ratios to be meaningful, (b) provide an interpretation of the given ratios of a company compared to the given industrial average figures.
- 28% of the candidates attempted this question and registered a 10% pass rate. There was hardly any correct answer for part (a) of the question.
- 70% of the candidates who attempted the question tried to interpret what they had derived after dividing the company's ratios given by the comparative industry average ratios given! This provided the evidence that the candidates were not prepared for this kind of question.

**2.5 Question 5:**

- Required candidates to: (a) explain how transactions are treated both under cash and accruals bases of accounting, (b) prepare revenue account extracts under both cash and accruals bases from the information provided in the question.
- 53% of the candidates attempted this question and registered a 16% pass rate.
- Most of candidates could not differentiate the treatment of transactions under cash based accounting from accruals based accounting. Candidates also failed to provide an extract of the revenue account under the accruals basis.
- Generally candidates demonstrated lack of knowledge of this area of the syllabus.

**2.6 Question 6:**

- Required candidates to briefly explain the following concepts: (i) going concern, (ii) realisation, (iii) matching, (iv) periodicity and (vi) cost
- 28% of the candidates attempted this question and registered a 65.5% pass rate.
- 98% of the candidates who attempted the question did not provide the correct explanation for the realisation and periodicity concepts.

**2.7 Question 7:**

- Required candidates to write short notes on:(i) cash equivalent, (ii) cash flow, (iii) operating activities,(iv) investing activities and (v) financing activities in relation to statements of cash flows
- 72% of the candidates attempted this question and registered an 87% pass rate.
- Most of the candidates demonstrated adequate knowledge and preparation for questions in this area: some candidates provided both the explanations and illustrations of the given terms in relation to statements of cash flows.
- This was the best attempted question with the highest score s.