



Examiners' report

F3 Financial Accounting

December 2007

The following questions were chosen from the December 2007 F3 INT examination to provide illustrations of areas in which students can improve their exam performance.

Example 1

Jill and John are in partnership sharing profits in the ratio 3:2. During the financial year the partnership earned \$28,650 profit. Jill is paid a salary of \$5,000 and partners were charged interest on drawings amounting to \$200 for Jill and \$350 for John. Jill's current account had a credit balance of \$15,614 at the beginning of the year.

What is the net increase in Jill's current account during the year?

- A \$19,320
- B \$34,934
- C \$19,720
- D \$14,480

The correct answer to this question is A (\$19,320) see working 1 at end of report.

Almost as many students selected B as the answer, as those who correctly selected A.

This demonstrates that candidates are still not reading the requirements of the question properly. The question asks for the *net increase* in the account, **not** the *closing balance*. Candidates who selected B performed all the calculations correctly, but missed out on the marks due to simply not reading the requirement. This is basic exam technique. It is imperative that candidates answer the question asked, not the one they presume will be asked, or the one they would have liked to be asked.

Example 2

Which of the following provides advice to the International Accounting Standards Board (IASB) as well as informing the IASB of the implications of proposed standards for users and preparers of financial statements?

- A The Standards Advisory Council
- B The International Financial Reporting Interpretations Committee

The answer to this question is A (The Standards Advisory Council).

There was roughly an even split between candidates giving each of the two answers. This suggests that the regulatory framework and the role of accounting bodies is perceived as an area which is peripheral to the syllabus and so is not given adequate attention by students in their preparation for exams. It should be noted that this area is seen to be an important aspect of the F3 syllabus. Due to the nature and structure of the examination, questions will be set every sitting across the breadth of the syllabus, and so students should revise across the whole of the syllabus.

Worryingly, some students answered C or D to this question. If an answer to a question is to be guessed, it is worth checking whether the question offers A, B, C and D as options before putting pen to paper.

Example 3

Samantha has extracted a trial balance and created a suspense account with a credit balance of \$759 to make it balance.

Samantha found the following:

1. A sales invoice for \$4,569 has not been entered in the accounting records
2. A payment of \$1,512 has been posted correctly to the payables control account but no other entry has been made.
3. A credit sale of \$131 has only been credited to the sales account.

What is the remaining balance on the suspense account after these errors have been corrected?

- A \$3,810 debit
- B \$2,140 credit
- C \$890 credit
- D \$622 debit

The answer to this question is D (\$622 debit) see working 2 at end of report.

Only 41% of students who answered this question selected the correct answer. The most popular incorrect answer was B. Therefore the majority of students recognised that error 1 had no effect on the suspense account, which is encouraging. The error rate on this question though, reflects a lack of understanding of error correction and double entry. This is an area which is tested in numerous questions in each examination, and should be mastered prior to attempting the F3 examination.

Workings for answers:

1.

	Jill \$	John \$	Total \$
Net profit			28,650
Interest on drawings	(200)	(350)	550
Salary	5,000		(5,000)
			24,200
Profit share 3:2	14,520	9,680	
Total	19,320	9,330	

2.

Suspense account			
	\$		\$
		B/f	759
(2) Cash	1,512	(3) Receivables	131
		Balance c/d	622
	1,512		1,512