



GCE

Accounting

Advanced GCE A2 H411

Advanced Subsidiary GCE AS H011

OCR Report to Centres

January 2012

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This report on the examination provides information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the specification content, of the operation of the scheme of assessment and of the application of assessment criteria.

Reports should be read in conjunction with the published question papers and mark schemes for the examination.

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Advanced GCE Accounting (H411)

Advanced Subsidiary GCE Accounting (H011)

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Overview

Standards varied in this examination series with a wide range of marks achieved on each unit. Most candidates were able to complete the papers in the allocated times. Lack of completion, when it occurred, appeared to be due to a lack of knowledge and ability, rather than time.

Some candidates were unable to deal with the relationship between mark-up and margin and these applications may occur in unit F012, F013 and F014 question papers. Accounting concepts may also be assessed across the specification and frequently responses were generic, rather than to specific applications.

Whilst candidates frequently completed the calculations leading to a final value, there were cases of a correct value in completing calculations but this was then followed by a transcription error when the value was entered in the final answer. There was also an increase in the number of arithmetic errors.

Finally, it was evident that centres have used past paper material as a teaching resource and this is to be encouraged, as is the use of teaching material provided at INSET events.

F011 Accounting Principles

General Comments

A good performance was achieved by many candidates particularly with respect to the final accounts question – Q1(a).

There appears to be an increasing problem with the use of inappropriate abbreviations. For example, 'P&L' has long been accepted but, although allowed in this session, 'P/L' is not regarded as good practice. 'P4D' is not acceptable as an abbreviation for Provision for Depreciation.

Comments on Individual Questions

- 1 (a) Many candidates produced good answers to this part of the question. Common problems in the Profit and Loss Account were the incorrect calculation of the loan interest, salaries and buildings depreciation. In the Balance Sheet the most common problem was the omission of accrual and prepayment entries. The standard of layout and presentation by some candidates could be improved.
- (b) This part of the question was generally quite well answered, but a significant number of candidates incorrectly stated that 'Prudence' meant neither overstating nor understating profit and asset values. Prudence only requires an understating of profit and asset values. This comment also applies to question 2(d).
- 2 (a) (i) Most candidates achieved full marks in this part of the question, though some used an incorrect narrative against the 'Bank' entry.
- (ii) Many candidates found this part of the question challenging. Some used an incorrect narrative against the Profit and Loss entry. This question underlined the importance of providing clear workings (in the workings box) as candidates were able to gain part-marks for the Profit and Loss entry for depreciation even, if the figure shown in the ledger account was incorrect.
- (iii) Most candidates were able to gain at least half of the marks available for this part of the question.
- 2 (b) & (c) When extracts from the Profit and Loss Account or the Balance Sheet are required, it is essential that candidates clearly indicate in which section of the final account concerned the extract is to be found. This was particularly deficient in question 2(b). Quite a few candidates did not attempt these two parts of the question.
- (d) Most candidates were able to access some of the marks available on this part of the question but many failed to answer the question set. Commonly the different methods of depreciation were discussed which was not appropriate to this question and likewise the causes of depreciation. Some leniency for the latter was allowed in the mark scheme. There were some good examples of the correct application of the prudence and of the accruals/matching concepts.

F012 Accounting Applications

General Comments

The cohort for this examination was mainly resit candidates, and many were able to demonstrate a good knowledge of the topics examined and apply their knowledge and skills well when answering the questions. A wide range of abilities was seen with many candidates showing a good understanding. Most candidates were able to attempt all four questions in the time allotted.

Candidates should also ensure that their work is presented in good accounting format and that correct headings are used and that they are underlined and that accounts correctly are ruled off.

Comments on Individual Questions

- 1
 - (a) Many candidates were able to correctly complete the control account and gained maximum marks. A number of candidates are still using incorrect narratives for bank, and a number incorrectly included the cash sales.
 - (b) The answers to this part of the question were quite mixed with many candidates achieving maximum marks. Other candidates still find the concept of a schedule of debtors challenging and fail to make any correct adjustments.
 - (c) Most candidates were able to identify some of the uses of control accounts and were able to develop these. A number of candidates failed to develop their answers.
- 2
 - (a) A pleasing number of candidates were able to produce a correct closing stock valuation making the appropriate adjustments. A number of candidates, however, failed to recognise that the question included the simpler calculation of margin instead of the usual mark up. Candidates should ensure that they read the questions carefully.
 - (b) Many candidates achieved full marks when explaining item (v); however, a number were unable to recognise in item (vi) that cleaning material was not goods for resale and, therefore, should not be included.
- 3
 - (a) Most candidates were able to produce the capital accounts; however, quite a number of the candidates were unable to correctly process the revaluation of assets or the goodwill, which has been tested regularly on previous partnership questions. Candidates should take care to use the correct narratives.
 - (b)
 - (i) The Appropriation Account for the original partnership was well prepared by the majority of candidates, errors occurred, however, when candidates failed to recognise that the profit figure needed to be adjusted for the required six months.
 - (ii) Many candidates struggled to calculate the interest on capital and a number failed to correctly calculate the salaries for the six month period.
 - (c) Most candidates were able to produce a current account and make the appropriate debit or credit entries. Few candidates were able to correctly calculate the share of profits.

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(d) The majority of candidates scored highly on this part of the question and were able to correctly explain three advantages of admitting Crystal as a partner.

4 (a) This question proved quite challenging for a number of candidates as it required the calculation of missing figures for the final accounts using ratios, which is covered in the specification but has not been asked in this format for a number of years. Few candidates achieved full marks on this part of the question. Many candidates were unable to calculate the gross profit, closing stock and purchases using the stockturn and margin ratios. Some candidates were unable to correctly calculate the sales figure, many omitting to make adjustments for the money received from cash sales.

Most candidates were, however, able to achieve marks for correctly calculating the expenses in the Profit and Loss Account. The Balance Sheet was quite well prepared with most being able to identify correct figures for debtors and creditors.

(b) Most candidates were able to make a reasonable attempt at this part of the question but a number failed to develop their answers and, therefore, failed to achieve the development marks.

F013 Company Accounts and Interpretation

General Comments

The general standard overall on this paper was good and there was an improved performance on written narrative questions. There were some very high achieving candidates who performed very well on all part questions.

The majority of candidates were well prepared for the examination. A number of candidates, however, had not prepared for the examination and, in addition, their presentation was weak.

Some candidates failed to show workings in the correct workings box, especially on Question 1. Weaker candidates performed very badly on Question 3(a)

There was no evidence that candidates did not have enough time to finish all the questions on the paper.

Comments on Individual Questions

- 1 (a) This part of the question was very well answered by the majority of candidates with a high proportion of them achieving the maximum mark. Weaker candidates deducted the total of indirect factory overhead from the prime cost. A mistake made by some candidates was not to deduct the purchase return of material of £18 000 to arrive at the correct cost of the direct material consumed. Some candidates also did not make the correct adjustment for work in progress at the start and at the end of the financial period.
- (b) This part of the question was generally very well answered and high ability candidates did achieve high marks. Many candidates did not calculate the correct cost of sales figure of £1 048 050. Workings for distribution costs and administrative expenses were shown by the majority of candidates, although the carriage outwards of £12 000 was often missed from the calculation for distribution costs and the correct adjustment of £1 400 for the provision for doubtful debts was not included in the administrative expenses. Weaker candidates did not show the interest payable of £4 000 and could not calculate the correct dividends of £420 000. Many weaker candidates failed to show the correct amounts for prepayments and accruals in the Balance Sheet. A high proportion of candidates did not show the correct closing stock valuation of £126 000. Many candidates failed to include both the raw material and work in progress closing stock. The overall presentation was generally good from the majority of candidates.
- 2 (a) (i) This part of the question was well answered.
- (ii) This part of the question was well answered, although a significant number of candidates could not apply the correct formula
- (iii) This part of the question was very well answered, although the weaker candidates could not calculate the correct interest of £96 000.
- (iv) This part of the question was also very well answered, although a significant number of candidates did not calculate the total capital as £2 500 000.

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- (b) There were many very good answers to this part of the question which discussed the limitations of gearing for the shareholders with reference to increased earnings per share when profits were high and the importance of interest for a high geared company and how this would affect the ordinary shareholder. Many candidates did not address the limitations element of the question and gave a general answer on the meaning of gearing. A small proportion of weaker candidates had not prepared for a narrative question of this type.
- 3 (a) This part of the question was very well answered by the candidates who were prepared for a journal question on a rights issue of shares. A high proportion of candidates did not perform well on this part of the question and could not calculate the correct Bank figure of £250 000 or the correct share capital and share premium entries. The recording of the interim dividend was not well answered with many candidates crediting the Profit and Loss Account and not the Bank Account
- (b) (i) This part of the question was well answered, although a significant number of candidates gave generic answers and did not relate to liquidity and profitability
- (ii) This part of the question was also well answered, although a significant number of candidates gave generic answers and did not relate to liquidity and profitability.
- (iii) There were many very good answers to this part of the question, although many weaker candidates had not prepared for a question on leasing and did not, therefore, obtain any marks for their answer.

F014 Management Accounting

General Comments

Nearly all centres enter candidates for this examination in the summer session; therefore, the comments which follow relate to a relatively low entry. Standards varied and there were few outstanding scripts.

Most candidates were able to complete the paper in the allotted time.

Comments on Individual Questions

- 1 (a) Most candidates calculated the correct closing stock under FIFO and LIFO methods. Incorrect answers were usually the result of arithmetic errors.
- (b) Whilst many candidates calculated the correct purchases value, very few were able to correctly apply the 50% mark up to calculate sales.
- (c) Many candidates correctly commented that LIFO was not acceptable by HMRC for tax purposes. Frequently candidates referred to the physical movement of goods, rather than to stock valuation.
- 2 (a) Most candidates correctly entered those figures which did not require adjustment. Few, however, were able to calculate the correct depreciation on machinery transferred and the machinery carried won. Most candidates were able to use the 15% retention to calculate the work certified.
- Quality of written communication marks were awarded to candidates presenting answers to good accounting format, including appropriate use of columns and sub totals.
- (b) Nearly all candidates correctly identified the prudence concept, whilst fewer identified realisation. Some responses to this part of the question were on concepts in general, rather than on the specific application required by the question.
- (c) Social factors were well developed by many candidates.
- 3 (a) Most candidates correctly calculated the contribution per flight and this part of the question was well answered. Some candidates, unfortunately, made arithmetical errors in their calculations.
- (b) Many candidates correctly calculated the contribution for each airport; however frequently the negative contribution for Franley was incorrectly included in the profit statement. Few candidates correctly applied the limiting factor to prioritise direct labour and, subsequently, there were few correct profit statements for the limiting factor.
- (c) Although some candidates contrasted the profit under different options, few commented on the longer term considerations. The small negative contribution for Franley was omitted from many responses.

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- 4 (a) The net cash flow for each product was correctly calculated by many candidates. Some candidates did not add back depreciation to net profit. Payback was correctly calculated by many candidates, although some did not present to two decimal places. The residual value was omitted from Product 19 by some candidates when calculating the net present value. Most candidates were able to correctly apply the discount factors. The accounting rate of return was correctly calculated by many candidates.
- (b) Some candidates evaluated the results, rather than the methods. Those who did evaluate the methods frequently referred to timing and the inclusion of all cash flows under net present value.

Quality of written communication marks were awarded to candidates presenting answers in a clear and fluent style with good spelling, punctuation and grammar.

- (c) Most candidates correctly identified the original market research as sunk costs and that this should not be included in the capital expenditure calculations.

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