



**GCE**

**Accounting**

Advanced GCE A2 H411

Advanced Subsidiary GCE AS H011

**OCR Report to Centres**

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**June 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 across the four units with a wide range of marks achieved on each unit. Most of the candidates were able to complete the respective question 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.

The respective question papers may assess any part of the unit specification and candidates would be well advised to revise the entire specification and not omit sections. There was evidence that FRS 18 and overhead absorption were topics for which some candidates had not prepared. Some of the candidates presented answers to narrative parts of the respective question papers on what they would have liked to have been asked, rather than the specific demands of each particular question.

Some of the candidates were unable to deal with the relationship between mark-up and margin and these applications may occur on both the AS and A2 question papers. Marks were also lost by some candidates for not presenting answers to the number of decimal points required by the question.

Finally, quality of written communication marks are built into the mark schemes and some candidates failed to achieve such marks as a result of the poor presentation of their accounting statements. The standard of presentation for some candidates would be improved if their responses utilised a good accounting format as well as through the use of a ruler.

# F011 Accounting Principles

## General Comments

A good standard was achieved by many candidates on the trading and profit and loss account and balance sheet in Question 1, though sometimes the presentation was poor. Questions requiring a narrative response continue to pose problems for weaker candidates.

## Comments on Individual Questions

- 1 Many candidates produced good answers to this question. Common problems in the profit and loss account were the incorrect calculation of the provision for doubtful debts, loan interest, motor expenses and the depreciation of motor vehicles. Most candidates correctly calculated the depreciation of computer equipment and fixtures and fittings. On the balance sheet the most common problems were the incorrect calculation of debtors, the bank overdraft balance and the accrued loan interest.
- 2 (a) (i) Many candidates achieved full marks on this part of the question.
- 2 (a) (ii) Some candidates entered the balances b/d and c/d on the wrong sides.
- 2 (a) (iii) The entering of bad debts on the debit side was a common problem.
- 2 (a) (iv) Many candidates achieved full marks on this part of the question.
- 2 (a) (v) Most candidates calculated the profit and loss entry incorrectly.
- 2 (b) It was commonplace for candidates to both calculate the gross debtors and the provision incorrectly.
- 2 (c) Nearly all candidates were able to identify appropriate concepts but many incorrectly defined prudence as neither over nor understating the value of assets and profit.
- 2 (d) This part of the question was generally not well answered with many candidates simply opting to describe the bookkeeping system.
- 2 (e) There were some good answers to this part of the question with the candidates able to clearly distinguish between capital and revenue expenditure and correctly identifying the consequences of the incorrect classification of fixed asset and net profit values. The most common mistake was to claim that delivery and installation costs were revenue expenditure. Also, many answers were not sufficiently precise in order to access marks by, for example stating that net profit/fixed asset values would be 'affected' or 'wrong', rather than 'increased' or 'decreased'.

# F012 Accounting Applications

## General Comments

There was a wide range of results in the examination and a number of well-prepared candidates were able to gain almost full marks. Generally, however, most candidates accessed the higher marks on the journal entries in Question 2, the profit and loss accounts in Questions 3(a) and (b) and the calculation of depreciation in Question 4.

There was a minority of candidates who appeared not to be prepared for the examination and who found it difficult to achieve more than a few marks.

Candidates should ensure that they show their workings in the working boxes in the answer booklet in order to ensure that they do not lose out on any own figure marks.

It is worth stressing the often repeated advice that candidates should read the question paper carefully. A number of marks were lost from simply not following instructions.

## Comments on Individual Questions

- 1 (a) This part of the question proved quite challenging for a number of the candidates. Many candidates did not use the correct layout for a receipts and payments account, a number of them used the layout for an income and expenditure account. Candidates who did use the correct layout frequently omitted the opening balance.
- 1 (b) Many candidates were able to correctly complete the bar trading account; however, some of them were unable to correctly calculate the purchases, failing to make the adjustments for the opening and closing creditors. Bar staff salaries was also often incorrectly calculated with many candidates omitting the adjustment for opening accruals of bar staff salaries.
- 1 (c) Quite a wide range of marks were gained by the candidates on this part of the question, with only a few candidates gaining full marks. Most candidates were able to use the correct layout. However, marks were lost by failing to correctly calculate subscriptions and not including any working as to how the candidate had arrived at their figure. Other common errors included the incorrect calculation of depreciation and failing to include the loss on sale of the fixed asset. Candidates must remember to net off profit from fundraising activities in the income section rather than splitting it between the income and expenditure. This has been highlighted in previous series. Candidates should also remember to use the correct terminology, using surplus rather than profit. On the balance sheet many candidates were able to gain marks for the subscriptions owing and prepaid. Candidates must also remember to use the correct terminology on the balance sheet accumulated fund rather than capital and surplus rather than profit. The quality of written communication was awarded on this part of the question and many candidates lost marks as they had not put titles on their account and had not underlined titles and sub-headings with a ruler or ruled off their accounts. Candidates must remember the importance of good presentation of their accounts.

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- 1 (d) Most candidates were able to correctly demonstrate an understanding of the accruals and prudence concept and were able to assess the usefulness to an income and expenditure account. The business entity concept was not well explained and a surprising number of candidates failed to demonstrate an understanding of the materiality concept and were, therefore, unable to assess the usefulness to an income and expenditure account.
- 2 (a) This part of the question was very well answered with many candidates being able to produce a perfect set of journal entries. Where candidates made errors it was often on the correction of the discounts allowed and for the discount received error, or using an incorrect narrative for sales. These two errors did provide for differentiation within the question.
- 2 (b) This was a well answered part of the question with many candidates achieving high marks on the suspense account.
- 2 (c) Again, the majority of the candidates performed well on this part of the question and were able to correctly make adjustments to the net profit.
- 2 (d) This part of the question was generally well answered with many candidates able to identify and explain errors not affecting the trial balance agreement.
- 3 (a) & (b) The majority of candidates were able to correctly produce the trading and profit and loss accounts, thus gaining full marks.
- 3 (c) The majority of the candidates were able to correctly calculate the ratios. However, for some candidates the stockturn and ROCE proved a little more challenging. It was evident that some candidates had not learnt the ratio formulas. A number of candidates lost marks by failing to round the figures to two decimal places as instructed by the question or by not showing any signage on the ratios. Candidates must read the requirements of questions carefully.
- 3 (d) There were some excellent answers to this part of the question which demonstrated good knowledge and analysis of the ratios, with many candidates also being able to analyse the changes and assess whether Rickesh Khaled had achieved his objective. However, a number of candidates repeated what they had calculated in part (c), thus failing to develop their answers as to why the changes had occurred.
- 4 (a) & (b) This part of the question was very accessible and well answered with the majority of candidates who were able to correctly calculate depreciation using the original and the alternative methods. Where errors did occur, candidates had often failed to read and follow the instructions in the question as to whether to allow a full year's depreciation or month by month depreciation.
- 4 (c) The answers to this part of the question were very mixed with many candidates achieving own figure marks if the workings were shown. A number of candidates, unfortunately, failed to show any workings.

# F013 Company Accounts and Interpretation

## General Comments

Overall the performance was not as good as in previous examination series. Many weaker candidates appeared not to have prepared for the paper and scored low marks.

A small number of candidates were very well prepared for the examination and performed well especially on the written narrative questions. High ability candidates performed well on all sections of the paper.

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

## Comments on Individual Questions

- 1 (a) Generally well answered by candidates and high ability candidates scored full marks. Many candidates did not show the correct cost for plant and equipment of £650 000 at the start of the year. Weaker candidates could not calculate the correct depreciation for the profit and loss account for plant and equipment and motor vehicles. Only a small number of candidates calculated the correct amount of £135 000 for the depreciation on plant and equipment.
- 1 (b) Not as well as answered as in previous examination series. Well prepared candidates achieved well but a common mistake by many candidates included the incorrect calculation for other income of £23 000 and not including the loss on the vehicle as a cost in the workings for distribution costs. The working for distribution costs and administrative expenses were well done by the majority of candidates but many failed to show the correct figures for depreciation and the adjustment of £1 172 for the increase in the provision for doubtful debts. Many weaker candidates seemed under prepared for this question and produced a poor layout with only a few workings for administrative expenses and distribution costs.
- 2 (a) Generally very well answered with many candidates achieving high marks and producing clear workings for the net profit calculation of £328 000. A common mistake in the working was the incorrect calculation for dividends. The calculation for the net cash flow from operating activities was generally very well done but many candidates did not show the correct calculation for the depreciation of £55 000. A small number of candidates did not read the question and produced a full cash flow statement which was not required.
- 2 (b) Very well answered by many candidates who clearly stated that the balance on the general reserve was a revenue reserve and was the property of the equity holders and that the share premium account was a capital reserve and could not be used to pay a dividend. Candidates also made reference to the company having enough cash available to pay a dividend. Many weaker candidates appeared not to have prepared for such a question and made no response.
- 3 (a) (i) Not very well answered with many candidates not prepared for ledger entries. The majority of candidates did not show the correct narrative for share premium and profit and loss account on the credit side of the ordinary share capital account and did not calculate the correct amounts. A common mistake was complete reversal of entries. Well prepared candidates had no problem with gaining the full mark allocation but this was a minority of candidates.



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- 3 (a) (ii)** Not very well answered with many candidates unable to complete correct double entry.
- 3 (a) (iii)** Not very well answered. Weaker candidates could not complete entries into the profit and loss account and frequently reversed entries.
- 3 (b)** A very mixed response from candidates. Many candidates had not prepared for a question on FRS18 and made no reference to relevance, reliability, comparability and understandability. Many candidates did not attempt this question, or gave general answers. Well prepared candidates did very well on this question and gained high marks.

# F014 Management Accounting

## General Comments

Most candidates were able to complete the paper in the allotted time. Where candidates did not complete the paper, this appeared to be due to lack of knowledge and ability, rather than time. Standards varied from outstanding to very poor and the complete range of marks was achieved.

Most of the candidates scored well on the cash budget and to a lesser extent on standard costing. For many, overhead absorption was the least well answered question.

## Comments on Individual Questions

- 1 (a) Most candidates correctly calculated the variances, although some calculated for one product only, rather than for all three products.
- 1 (b) Candidates were frequently able to link favourable and adverse relationships for variances.
- 1 (c) There were many well developed responses for the limitations of standard costing, with candidates frequently referring to the expense of setting up and the type of standard to be used.
- 2 (a) Whilst there were some correct responses, many candidates divided the method by the overhead, rather than dividing the overhead by the method. Some candidates did not give a response for this part of the question.
- 2 (b) Whilst most candidates presented the correct prime cost, few developed their response in order to arrive at the correct selling price under each method. Frequently, candidates did not correctly apply the 20% profit margin.
- 2 (c) Few candidates evaluated overhead absorption methods and many restated how they had calculated the rates. Few of them indicated that time based methods are preferred.
- 3 (a) Many candidates achieved high marks for the cash budget and there were many completely correct answers. Some candidates incorrectly entered a salaries payment in August, rather than one month in arrears.
- 3 (b) There were few completely correct responses to this part of the question and very few candidates were able to apply the 50% profit margin in order to calculate gross profit. Within the profit and loss account most candidates correctly calculated depreciation and discounts; some, however, entered salaries for three rather than four months. In the balance sheet, fixed assets were usually correct; however, few candidates entered the correct closing stock and debtors. Current liabilities were frequently correct, as was the financed by section.
- 3 (c) There were many good responses on cash management and frequently candidates referred to terms of payment and drawings. Some candidates focussed on profit rather than on cash.

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- 4 (a) Whilst many candidates calculated the correct net cash flows, a common error was the incorrect treatment of depreciation. There were some rounding errors with payback. Many candidates were able to apply the correct format for calculating net present value and, whilst most entered the initial investment, the residual value was frequently omitted.
- 4 (b) There were many good responses to this part of the question on the choice of project. Frequently, the candidates referred to their payback and net present value calculations in order to support their choice.
- 4 (c) Most candidates presented well developed responses on non-financial factors, frequently relating to environmental issues.

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