

**Accounting**

Advanced GCE A2 H411

Advanced Subsidiary GCE AS H011

**OCR Report to Centres**

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**June 2013**

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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 with a wide range of marks achieved in each unit. Most of the candidates were able to complete the papers in the allocated times. Lack of completion where it occurred, appeared to be due to a lack of knowledge and ability, rather than of time. Particularly pleasing was the increase in percentage of higher grades at A2 level.

Some candidates were unable to deal with the relationship between mark-up and margin and these applications may occur in any of the AS or A2 question papers. Questions may also ask for an answer to be presented to a specific number of decimal places and marks were lost by some candidates through not presenting their answers to the decimal place requirement of a question.

Frequently questions require calculations for part of a period, rather than a full year; for example, loan interest and depreciation. Some candidates presented calculations for the full year rather than the actual period required.

Responses to narrative questions were varied. In some cases they were limited and the candidates would improve the quality of their responses through greater development and evaluation. Some candidates responded to the questions they would have liked to have been asked, rather than to the actual question asked.

Finally, throughout the papers, marks are awarded for the correct entry, be it in a ledger account or accounting statement. The correct entry covers both a value and narrative, and some candidates lost marks by not giving a correct narrative to support a value.

# F011 Accounting Principles

## General comments

A good standard was often achieved by candidates in the production of final accounts; however, some need to develop their skills in completing a three-column cash book and in responding to the narrative questions.

## Comments on individual questions

- 1** Many candidates produced good answers to this question. Common errors were:  
Trading Account: Adjustments being made to the opening stock figure rather than to purchases or adjustments appearing below closing stock.  
Profit & Loss Account: Expenses – The most common errors were the miscalculation of insurance, rent and the provision for doubtful debts.  
Balance Sheet: Net debtors was often incorrectly calculated, as well as the value for the insurance prepayment. The loan interest accrual was often omitted and the loan treated as a current, rather than a long term, liability.
- 2(a)** A common issue for this part of the question was incorrect discount figures. Narratives, particularly 'Fixtures and fittings', were also often wrong.
- 2(b)(i)** This part of the question was generally well attempted.
- 2(b)(ii)** Candidates needed to use the narrative 'Bank' rather than 'Cash' for this question.
- 2(b)(iii)** & There were many weak responses to these two parts of the question.  
**(iv)** Many candidates seemed unaware of the appropriate description to accompany the total entered from the cash book columns.
- 2(c)(i)** Many candidates confused the net book value with residual value.
- 2(c)(ii)** A significant proportion of the candidates were unable to explain obsolescence.
- 2(c)(iii)** This part of the question was generally quite well answered.
- 2(d)** There were some good responses to this part of the question which not only challenged the method of depreciation, but also the percentages used. Weaker responses tended to describe the calculation of depreciation or focused on concepts, rather than evaluating the policy stated in the question.

# F012 Accounting Applications

## General comments

There was a wide range of results in the examination and a small number of well-prepared candidates were able to gain almost full marks. Generally, the candidates were able to demonstrate a good knowledge of accounting, and applied a good range of accounting skills to all four questions. Most candidates were able to attempt all four questions in the time allotted.

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

It is worth stressing the often repeated advice that candidates should read the question paper carefully in order to ensure that they follow the instructions about what is required.

Questions 2(b) and (d), reconciling the control accounts with the schedule of debtors/creditors, which has been answered poorly in previous series, was well answered this series, with many candidates achieving high marks.

## Comments on individual questions

- 1(a)** Many candidates were able to correctly calculate the sales and purchases figures, incorrect figures were awarded marks if the calculations were shown. A few candidates did not achieve any marks for sales and purchases as no workings were shown. Candidates must remember to use the workings boxes provided. Drawing of goods for own use must be shown before closing stock; marks were lost when this was deducted from closing stock. Within the profit and loss account many candidates correctly calculated the expenses, adjusting for accruals and prepayments; however, quite a high proportion of the candidates calculated loan interest incorrectly. Candidates must also remember to show depreciation for different types fixed assets separately in the profit and loss account. Common errors in the balance sheet included an incorrect debtors figure, as the candidates had not deducted the provision for doubtful debts. Many candidates incorrectly calculated the bank overdraft or included this in the current assets; while others omitted the loan interest owing in the current liabilities. The calculation of the capital figure proved difficult for many candidates, even though similar calculations have been included on previous question papers.
- 1(b)** Most candidates were able to gain marks when explaining the problems of inadequate record-keeping. In order to achieve maximum marks, candidates must develop their answers as this part of the question required them to evaluate and not just to state points.
- 1(c)** This part of the question was extremely well answered with the majority of the candidates being awarded full marks.
- 2(a) and (c)** These two part of the question were, on the whole, well answered, with many candidates able to gain quite high marks. The most common errors included the use of incorrect narratives. Candidates must ensure that the narrative used is the name of the account where the corresponding double entry is to be made.
- 2(b) and (d)** Many candidates also achieved good marks on these two parts of the question. A common error was the failure to include signage.

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- 2(e)** For this question, candidates needed to develop their answers as to how control accounts act as a deterrent against fraud. Some candidates discussed errors, rather than fraud.
- 3** A number of candidates used double entry accounts, rather than journals as the question required.
- 3(a)(i)** Errors included the use of incorrect account names, using purchases or bank, rather than the debtors name.
- 3(a)(ii), (iii)** The disposal of the fixed asset caused quite a few problems for candidates with many unable to correctly calculate the provision for depreciation or the loss on disposal.
- 3(b)(i)** Most candidates were able to gain full marks on this part of the question as they correctly calculated the bad debt.
- 3(b)(ii)** Many candidates were also able to correctly calculate the provision for doubtful debts, but marks were lost when the entry was reversed.
- 4(a)** This part of the question was very well completed by most candidates with many of them achieving full marks. A common error was the incorrect calculation of interest on drawings, as the candidates were required to calculate part year's interest.
- 4(b)** Generally candidates achieved good marks on this part of the question. Errors, however, included reversal of entries.
- 4(c)** There were many correct answers on the capital account; however, some common errors included the omission of the revaluation entry and incorrect narratives particularly the bal b/d and bal c/d.
- 4(d)** This part of the question was poorly answered, with few responses which identified the significance of a debit balance on a partner's current account.

# F013 Company Accounts and Interpretation

## General comments

The performance on this question paper was mixed. Well prepared candidates achieved high marks, especially on the narrative answers. Some candidates did not appear to be prepared for Question 2 and the fixed asset schedule, and some performed poorly on the ledger accounts in Question 3.

There was no evidence that candidates had a problem completing the paper within the time limit.

## Comments on individual questions

- 1(a)** This part of the question was well answered by the majority of the candidates. Many candidates were able to calculate the correct net profit of £270 000. Many candidates correctly calculated the net cash flow from operating activities, although the depreciation expense for the year of £255 000 was incorrectly calculated by some candidates. The cash flow statement was well prepared with most candidates using a correct layout. A common mistake by candidates was the incorrect calculation of the purchase of fixed assets for the year. Many candidates gained the maximum marks available for this part of the question.
- 1(b)** Candidates were generally well prepared for this part of the question. There were many good answers on the raising of extra capital and an attractive investment for shareholders. A significant number of candidates, however, simply stated the accounting entries for an issue of shares at a premium.
- 1(c)** This part of the question was generally well answered by the candidates. Many good answers made reference to the dilution of the share price, making the shares more marketable and the improvement in liquidity. Weaker responses did not answer the question set and, instead, gave a description of what is involved in a bonus issue of shares.

The fixed asset schedule was not well answered by many candidates, although the layouts were generally very good. Many candidates could not correctly calculate the depreciation amounts for the profit and loss account. The depreciation calculation of £9 480 for the disposal of the asset was incorrectly shown by the majority of the candidates. A very small proportion of the candidates correctly calculated the depreciation on the motor vehicles.

- 3(a)** There were many very good answers from well prepared candidates who were able to note the correct double entry for the recording of the share issue and the loan. There were, however, some weaker responses demonstrating a poor understanding of double entry. A common mistake included a brought down balance on the debit side and a reversal of the entries in the share capital and share premium accounts.
- 3(b)** There were many excellent answers provided to this part of the question by well-prepared candidates who made reference to a comparison with other firms, previous performance and alternative investments. High ability candidates also made reference to how useful the ratio could be in order to identify an upward or downward trend in profitability. Many weaker responses did not answer the question and did not state how useful the ratio would be, but simply gave a description of how it is calculated.



# F014 Management Accounting

## General comments

Many of the candidates were well prepared for this examination and produced good responses. The majority of the candidates completed the paper in the allotted time. For very few of the candidates, the lack of completion appeared to be due to a lack of knowledge and ability, rather than to a lack time.

## Comments on individual questions

- 1(a)** Most of the candidates correctly calculated the standard and actual costs for the production. Some, however, presented a list of costs and did not show a total.
- 1(b)** Many of the candidates correctly calculated the variances, although some combined calculations rather than presenting separately for each type of variance. Most of the candidates indicated whether variances were adverse or favourable.
- 1(c)** While most of the candidates listed the individual variances in the reconciliation statement, some presented total values only.
- 1(d)** Most of the candidates correctly responded with attainable and ideal standards, although some of the responses lacked development. Current and basic standards were also accepted; however, accounting standards and types of variances were incorrectly presented by some of the candidates.
- 2(a)** Many of the candidates presented correct sales receipts and purchase payments, frequently well supported by calculations. Some of the candidates, however, did not correctly account for the disposal receipt, using the profit on sale value rather than the actual proceeds. Many of the candidates correctly entered the deposit payment; however, some entered 30% of £90,000 as £30,000 rather than as £27,000. Some of the candidates prepared a Budgeted Trading and Profit and Loss Account rather than the question requirement of only a Budgeted Trading Account. The outstanding disposal receipt was omitted by some candidates in the Budgeted Balance Sheet. While there were many well-presented responses, some could have been improved through the use of sub-totals and ruling off.
- 2(b)** There were many well developed responses for the advantages of budgetary control systems, although some candidates focussed only on cash budgets.
- 3(a)** While many of the candidates presented the total contribution per product, some responded with only the contribution for Product 1. Some of the candidates only presented the contribution per unit, failing to provide a total. Although Product 1 provided a positive contribution, some of the candidates fully supported the suggestion to discontinue it.
- 3(b)** Many of the candidates correctly calculated the positive contribution on the special order and developed this principle in their narrative. Other factors such as the reaction of other customers and competitors were frequently mentioned.
- 4(a)** Many of the candidates correctly calculated the current overhead rate and applied it to the job cost. Some of the candidates used a 20% mark up, rather than a 20% profit margin.
- 4(b)** Some of the candidates did not present responses for the direct labour cost method to one decimal place. The direct labour hour rates were frequently calculated correctly.

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- 4(c)** There were many correct responses to this part of the question, although some of the candidates calculated the direct labour as £4,090, rather than using this value as the total for factory overheads.
- 4(d)** Few of the candidates correctly contrasted the use of a single company rate with individual departmental rates.
- 4(e)** Many of the candidates correctly related overheads to time and the appropriate use of the direct labour hour rate. Some of the responses, unfortunately, lacked development.

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