



**GCE**

**Accounting**

Advanced GCE **A2 H411**

Advanced Subsidiary GCE **AS H011**

**OCR Report to Centres June 2014**

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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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# F011 Accounting Principles

## General Comments:

A very good standard was often achieved by candidates in the production of final accounts, however some candidates found the completion of the ledger account for Provision for the Depreciation of Machinery challenging.

## Comments on Individual Questions:

- 1 (a) Many candidates produced good answers to this question. Common errors were:
- Trading Account: adjustments being made to the opening stock figure rather than purchases or adjustments appearing below Closing Stock.
- Profit & Loss Account: Expenses – The most common error was the miscalculation of Provision for Doubtful Debts. Some candidates failed to correctly adjust for accruals and prepayments eg for Loan Interest.
- Balance Sheet: Incorrect calculation of (Net) Debtors and omission of some entries under Current Liabilities, particularly 50% of the loan.
- The presentation of the work of some candidates could have been better; only a few achieved the two marks available for QWC.
- 1 (b) A significant number of candidates thought that Computers lost value evenly over their useful life and therefore that the reducing balance method was inappropriate.
- 2 (a) Often quite well answered, though a lot of candidates were under the misapprehension that cash discounts are given for payment in cash.
- 2 (b) (i) Generally well answered. Common errors were incorrect labelling of the 'Bank' entries and giving the value of Disposals as £20,000 rather than £24,000.
- 2 (b) (ii) Only a few candidates were able to produce a completely correct solution to this question. Common problems were incorrect calculation of both the year 1 and year 2 P&L entries and incorrect calculation of depreciation for disposals.
- 2 (b) (iii) Due to own-figuring many candidates were able to access most of the marks for this question.
- 2 (c) & (d) Some candidates failed to gain marks for these parts due to providing insufficient clarity as to where the entries would appear in the P&L Account and Balance Sheet respectively.
- 2 (e) Generally quite well answered.

# F012 Accounting Applications

## General Comments:

The majority of candidates who sat this examination were able to attempt all four questions in the allotted time. On the whole, candidates were generally able to demonstrate a high standard of knowledge, and apply a good range of accounting skills to all four questions. A wide range of abilities were seen with many candidates showing a good understanding. Candidates should ensure that their work is presented in an appropriate accounting format; that correct headings are used and that they are underlined and that accounts are ruled off.

There were a significant minority of candidates who appeared not to be prepared for the examination and who found it difficult to achieve more than a few 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. Candidates should also use the working boxes to show their workings as marks are often lost as candidates have failed to show these.

Question 4 was well answered by the majority of candidates who were able to use their knowledge and skills well to respond to the question, the majority of candidates achieved high marks.

## Comments on Individual Questions:

- 1 (a) Many excellent responses to this question where candidates correctly identified the accounts and entries needed to correct the errors. Candidates who did not achieve maximum marks had often not used the correct account names, particularly in errors (ii) and (iii). The most common error was error (vii) where depreciation had been omitted; many were able to correctly calculate the depreciation figure, but a significant number of candidates could not identify the correct accounts or sides which needed to be used to correct this error. This question on the whole was well answered, with many candidates able to gain quite high marks. A number of candidates put their entries the wrong way round. A minority of candidates failed to ensure that the journal was set out using the correct format.
- 1 (b) To achieve marks on this section candidates needed to identify the errors that affected the net profit and then indicate whether this would increase or decrease the net profit. Few candidates achieved full marks on this section; errors included failing to identify which errors affected the profit and whether the correction was an increase or decrease. The two main errors that caused problems were the discounts received and allowed and the drawings.
- 1 (c) Many candidates were able to correctly identify the errors and explain them, therefore achieving high marks. Where candidates correctly identified the errors but did not achieve maximum marks a detailed explanation and analysis was missing; candidates must ensure that they focus on developing their written answers.
- 2 (a) This question was well done by most candidates with many achieving full marks. Common errors that did occur were incorrect calculations of the purchases figure.

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- 2 (b) The majority of candidates were able to draw up an Income and Expenditure account and a Balance Sheet, with a small number of candidates achieving full or almost full marks. However common errors included the incorrect calculation of the subscriptions; marks were awarded for workings but a significant number of candidates failed to show these even though workings boxes are provided. The majority of candidates calculated the profit from the competition and dinner dance showing this as income; however a number of candidates failed to calculate the profit from the competition and dinner dance, instead putting it down as two separate items in the income and expenses and therefore lost marks. Centres must note that this type of adjustment has been asked numerous times on previous papers and, to be awarded marks, candidates must calculate the profit. Other common errors included the omission of the bad debts and incorrect calculation of the provision for depreciation of equipment.

Common errors on the Balance Sheet included errors on the accruals and prepayments, in particular failure to correctly identify the subscriptions due and subscriptions paid in advance, in the current assets and current liabilities. QWC marks were often lost through poor presentation, heading and layout.

Quality of written communication marks were awarded to candidates presenting answers in good accounting format, including appropriate use of columns and sub totals, and the use of a ruler.

- 3 (a) The majority of candidates were able to gain some marks on this part, with quite a few obtaining full marks. The majority of candidates were able to correctly calculate the ratios from the information given. A number of candidates lost marks by failing to round the figures to two decimal places as instructed in the question or failing to show any signage on the ratios. Candidates should read the requirements of questions carefully.
- 3 (b) Some excellent answers demonstrating good analysis and evaluation of the ratios, including details as to why the differences had occurred. However a number of candidates repeated what they had calculated in part (a), failing to move into analysis and evaluation of the ratios. In order to achieve high marks on this section candidates must ensure that they answer the question not just repeat that one business's individual ratios are higher than the other business; analysis and evaluation must include detailed explanations as to why this may have occurred and the significance of the ratios to the business's profit and liquidity.
- 4 (a) This question was very well answered by the majority of candidates with many achieving at least 17 out of the 20 available marks. A number of candidates incorrectly entered the capital introduced and the loan as the opening balance, rather than as separate items in the receipts. Others incorrectly calculated the loan interest.
- 4 (b) Generally most candidates achieved good marks on this part. Candidates should ensure that when answering this type of question that they discuss cash flow rather than profit.

## F013 Company Accounts and Interpretation

### General Comments:

The performance on the paper was very good with many high ability candidates achieving high marks. Well prepared candidates achieved high marks on all questions, especially the narrative questions.

There were very few weaker candidates on this paper.

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

### Comments on Individual Questions:

- 1 (a) This question was answered correctly by the majority of candidates. Candidates were able to correctly calculate the prime cost of £1,024,000. Candidates also showed the correct breakdown of factory indirect costs and the correct total of £249,000. A minority of candidates failed to include carriage inwards and purchase returns of raw materials in the calculation of direct materials. Weaker candidates showed incorrect classification of costs in the manufacturing account.
- 1 (b) Many correct answers for both the Profit and Loss Account and the Balance Sheet. The majority of candidates showed clear working for the Distribution Costs and the Administrative Expenses. Some candidates failed to show the interest payable of £6,400 in the Profit and Loss Account. Weaker candidates did not show the correct breakdown of expenses in the workings for Distribution Costs and Administrative Expenses. The Balance Sheet was very well prepared by the majority of candidates, with many showing the correct balancing figure of £902,350. A number of candidates did not show the correct stock figure of £132,000 and only showed the finished goods stocks. Some weaker candidates did not include the interest owing of £1,400 and the bank overdraft of £65,000 as creditors amounts falling due within one year. Presentation was generally very good.
- 2 (a) Well prepared candidates gained full marks on this question. A number of candidates were unable to calculate the correct depreciation of £51,000. A small minority of candidates were not prepared for this question and could not calculate the net profit of £120,000. Weaker candidates could not show the correct treatment for the increase in stock and debtors or the decrease in creditors.
- 2 (b) This question was generally answered very well and well prepared candidates developed answers that made reference to reliability, relevance, understanding and comparability. A number of candidates were not prepared for this question and gave generic answers with reference to prudence and the accrual concept. Some weaker candidates gave no response to this question.
- 3 (a) Many candidates scored full marks on this question and were able to correctly show the application and allotment account, and the share capital and share premium account. Weaker candidates could not process the correct double entry and gained few marks on this question. A number of candidates did not show the balance carried down on the share capital and share premium account.

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- 3 (b) Many good answers that included reference to employee job security and the liquidity and profitability of the company. High ability candidates also made reference to the possibility of bonus payments and pensions. The majority of candidates performed well on this question and there were very few no response answers
  
- 3 (c) Many candidates were well prepared for this question and made reference to the independent auditor's report and the importance of a true and fair view for the shareholders of the company. Good answers also stated that profits and assets must not be overstated and the concept of prudence should be applied so that shareholders can rely upon the accounts to make economic decisions. A significant number of candidates gave generic answers and only referred to a true and fair view. A small number of candidates gave a no response.



# F014 Management Accounting

## General Comments:

Standards varied, with a wide range of marks achieved; high quality work was seen from some candidates. Most candidates completed the paper in the allocated time. Lack of completion, where it occurred, appeared to be due to lack of ability and knowledge, rather than time.

## Comments on Individual Questions:

- 1 (a) The material price and labour rate variances were correctly calculated by many candidates. Some candidates did not use the actual production for material usage and labour efficiency variances. Sales variances were frequently correctly calculated. The actual production was not used by some candidates for the overhead variances. Almost all candidates indicated whether variances were adverse or favourable.
- 1 (b) Few candidates presented a sales reconciliation statement to good format. Some incorrectly included variances for material, labour and overheads in statements.
- 1 (c) There were many well developed responses on advantages and limitations of a standard costing system. Many candidates correctly developed the application of the management by exception principle.
- 2 (a) Many candidates correctly calculated sales receipts and purchase payments, frequently well supported with calculations. Payments for general expenses and motor vehicle were usually correct; however some omitted the loan repayment. Few candidates made the correct adjustment for the salaries of the employees retiring. There were very few correct Trading Accounts with closing stock frequently incorrect. Within expenses in the Profit and Loss section there were very few completely correct responses. The depreciation on the disposal was frequently omitted as was the loss on sale. Some candidates entered a profit on sale. Discount allowed, general expenses and loan interest were frequently entered correctly. Some candidates included the loan repayment as an expense.
- 2 (b) There were many well developed responses to the advantages and limitations of a budgetary control system although some candidates repeated their responses.
- 3 (a) Whilst there were many correct responses, some candidates divided the method by the overhead, rather than the overhead by the method.
- 3 (b) Most candidates showed the correct prime cost. Those who calculated the correct overhead rates subsequently went on to show the correct production cost. Some candidates combined all the production overheads in one statement, rather than presenting three separate cost statements.
- 3 (c) There were many poor or nil responses for the limitations of activity based costing. Some candidates responded with a description of activity based costing rather than limitations. Some responses related to the traditional overhead absorption methods.

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- 4 (a) A few candidates calculated the maximum profit for the three month period. Many, however, calculated for September only and omitted the previous two months. Most candidates correctly showed the contribution per unit and were able to apply a priority for the limiting factor.
- 4 (b) Many candidates calculated the correct profit for the special order. Some, however, deducted a fixed cost even though the question stated there would not be any additional fixed costs.
- 4 (c) There were many well developed responses with candidates frequently referring to other customers and competitors. Some candidates made comment on material shortages and fixed costs even though the question stated these would not apply.

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