



GCE

Accounting

Advanced GCE **A2 H411**

Advanced Subsidiary GCE **AS H011**

OCR Report to Centres June 2015

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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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F011 Accounting Principles

General Comments:

The standard of work on final accounts and bookkeeping was generally pleasing, with the questions requiring discussion proving more challenging for candidates.

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. Carriage inwards was sometimes deducted in error.

Profit & Loss Account: Expenses – The most common error was the omission of the entry for Loss on Sale of Equipment or showing this entry as a combined figure with Depreciation of Equipment.

Balance Sheet: Very few candidates calculated the value of Equipment correctly, this being linked no doubt linked to difficulties with the calculation of the loss on sale. Other common errors were incorrect calculation of Debtors, Bank (overdraft) including placing the entry under Current Assets and showing the loan as a Long Term Liability.

The presentation of some candidates work could be improved. Only a few achieved the two marks available for QWC.

1(b) Many candidates tended to provide descriptive answers or answers overly focused on accounting concepts, rather than on the problems involved in accounting for depreciation.

2(a)(i),(ii),(iii) & (iv): It was pleasing to see that many candidates produced good answers to all parts of this question, though a few produced completely reversed solutions for part (iv).

2(b) A wide range of performance was demonstrated in answering this question, with some good answers provided. The most common problems were a tendency to describe rather than discuss, to make incorrect general comments and to discuss the impact on debtors and creditors rather than the impact on income and expenses.

F012 Accounting Applications

General Comments:

The majority of candidates were able to attempt all four questions in the time allotted.

A significant minority of candidates appeared not to have been prepared for the examination and found it difficult to achieve more than a few marks.

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

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.

Candidates were generally able to demonstrate a good knowledge of, and to apply, a good range of accounting skills to all four questions. A wide range of abilities was seen, with many candidates showing a good understanding.

Question 3(b) and (d), reconciling the control accounts with the schedule of debtors/creditors, which has previously been a problem for many candidates, is now showing an improvement, with many candidates gaining high marks.

Candidates used their knowledge and skills appropriately to respond to question 4, with many correct adjustments. Some candidates struggled with item (vi), which involved goods on a sale or return basis.

Comments on Individual Questions:

Question No.

- 1(a) Most candidates prepared the appropriation account in good accounting format, and some achieved full marks on this question. Many candidates incorrectly calculated the interest on capital, failing to correctly adjust for the part-year calculation.
- 1(b) The current account was well prepared, with many candidates achieving full marks, though a few candidates omitted the share of profits, or reversed the entries.
- 1(c) A large number of candidates correctly prepared the capital account. Errors occurred in the calculation and entries in the accounts for goodwill. Several candidates used an incorrect narrative for the bank.
- 1 (d) Many candidates were able to discuss advantages for the admission of a new partner and were able to develop their answers well. However, some failed to develop their reasons, and this restricted the number of marks that could be awarded.

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- 2(a) Few candidates obtained full marks on this question. Many were able to correctly calculate the sales and purchases figures (incorrect figures were credited if their calculations were shown), but a few candidates did not achieve any marks for sales and purchases, as no workings were shown. Candidates must 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, loan interest proved a difficult calculation and quite a number of candidates calculated this incorrectly. Many candidates incorrectly calculated the bank overdraft or included this in the current assets. 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 appeared in previous papers.
- 2(b) Most candidates were able to gain marks when explaining the problems of inadequate record-keeping, but in order to gain maximum marks, candidates must learn to develop their answers, as the question required them to evaluate, not just state points. Some candidates had developed their answers well enough to achieve maximum marks.
- 3(a) and 3(c) This question was well answered, with many candidates achieving full marks. Marks were lost when candidates incorrectly adjusted for errors, or used incorrect narratives. A common error is the use of the narrative 'receipts from debtors' instead of bank.
- 3 (b) and (d) This was well answered by many candidates, who were able to correctly identify the errors that affected the schedule of debtors and the schedule of creditors. Candidates must remember to identify the errors, not just produce a list of numbers, candidates should also identify whether the items are added or deducted.
- 4 (a) This question was well answered by some candidates who correctly adjusted all the items in the stock valuation. A number of candidates failed to adjust selling price to cost price. Item (i) was challenging for candidates, as the invoice price included a carriage figure which had to be adjusted for before calculating the cost price. In item (vi) a number of candidates were unable to correctly adjust for the goods on sale or return, failing to recognise that the stock belongs to the original owner until the point of sale.
- 4 (b) A number of candidates achieved good marks on this section. A larger number did not perform well, discussing concepts rather than the correct treatment of the items.

F013 Company Accounts and Interpretation

General Comments:

Nearly all Centres enter candidates for F013 in the June exam, though the entry is relatively small. There were many candidates who were very well prepared for this exam and produced answers of quality.

The majority of candidates completed all the questions in the allotted time allowance. For very few candidates, failure to complete the paper appeared to be due to lack of knowledge and ability rather than an issue with time.

Comments on Individual Questions:

Question No.

- 1(a) Very well answered by the majority of candidates, and high ability candidates gained very high marks. The workings for both the administrative expenses and distribution costs were clearly shown by the majority of candidates

Many candidates were not able to calculate the correct depreciation for motor vehicles in the distribution expenses and did not include the loss on sale in the distribution expenses.

The treatment of other income was very well done, with a majority of candidates making the adjustment for the rent receivable owing in the Profit and Loss Account.

Some weaker candidates were not able to calculate the adjustment for the provision for doubtful debts. The Profit and Loss Account was prepared in good format by the majority of candidates, although a small number did present for internal use.

- 1(b) Generally well answered by the majority of candidates. Some candidates gave a description of rights issues and bonus issue with no reference to the merits. Some produced very good responses on a rights issue as an alternative to raising finance from a bank and a bonus issue diluting the share price of the company.

Weaker candidates mixed up the difference between a rights issue and a bonus issue.

- 2(a) (i) Very well answered.
 (ii) Well answered but a proportion of candidates failed to express the P/E ratio in times or years.
 (iii) Well answered by the majority but weaker candidates did not use the correct formula.
 (iv) Many good answers although weaker candidates did not use in the calculation the operating profit.
 (v) Very well answered.

- 2(b) Not as well answered, although the majority of candidates were able to identify that the gearing ratio will increase and that the new investment could benefit the shareholders by a future increase in profitability. Many candidates did not make reference to the extra interest and how this would affect the company performance. Good answers made reference to how the earnings per share would change depending on the profit situation.

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- 3(a) Well answered, but only a small number of candidates were able to show the correct calculation for the amount of depreciation charge for the year for motor vehicles. Answers were well presented, with the majority of candidates showing the correct cost valuation at the end of the year.
- 3(b) Many good answers which made reference to the development costs been shown as an expense in the Profit and Loss Account. A number of candidates explained why the development costs could be shown on the Balance Sheet. A small number of candidates were not prepared for this question and gave no response answers

F014 Management Accounting

General Comments:

Standards varied, with a wide range of marks achieved.

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.

Some candidates did not respond to the requirements of the question, particularly for narrative aspects.

Comments on Individual Questions:

Question No.

- 1(a) There were many correct responses for break-even and margin of safety in units.
- 1(b) Whilst there were many correct responses, some candidates did not follow the question requirement of showing the contribution per unit in calculations
- 1(c) Many candidates correctly calculated the required sales to meet the profit level stated in the question. Some candidates did not use the correct contribution per unit.
- 1(d) Frequently candidates did not focus on the effects on Kirjen Ltd, and responses often related to the impact on the local supplier and employees.
- 1(e) Most candidates responded with advantages and limitations, although some responses for limitations were not sufficiently developed.
- 2(a) The question requirement was for the periodic method, and some candidates used the perpetual method. For those who used the periodic method there were many correct responses, although some candidates did not show the actual stock valuation at the end of each month. Some candidates presented the closing stock for the final month only.
- 2(b) Many candidates presented a correct Trading Account. A few candidates set up Trading Accounts for each month, rather than for the three month period.
- 2(c) Few candidates were able to distinguish between the periodic and perpetual methods.
- 2(d) Whilst there were many good responses for advantages, the responses for limitations were limited. Many candidates confused physical movement with stock valuation.
- 3(a) There were many correct responses under both marginal and absorption costing methods, although some were not well presented.
- 3(b) Many candidates responded with aspects relating to production and sales coupled with the increase in closing stock. Some, however, discussed the merits of marginal and absorption costing.

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- 4(a) Whilst there were many well-presented responses, some candidates did not apply the correct depreciation for the machinery transfer and the machinery remaining in the contract. Most correctly calculated the work certified. Some candidates did not show all the balances brought down to the next period.
- 4(b) There were few well developed responses for characteristics of contract costing. Frequently candidates focussed on profit provision only.
- 4(c) Few candidates made a link with the implications for the workforce and often responses related to the local economy.

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