

Accounting

Advanced GCE A2 H411

Advanced Subsidiary GCE AS H011

OCR Report to Centres

January 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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Overview

Most candidates were able to complete the papers in the allocated times. Lack of completion where it occurred, appeared to be due to lack of knowledge and ability, rather than time. It was pleasing to note that many candidates had been well prepared for the examinations.

Frequently, the questions required calculations leading to a final value. Candidates are advised to show their calculations in their answer book so that they can achieve some marks, even if the final value is incorrect. If candidates show their calculations on their resource booklet, then these will not be seen by the examiner, and no credit can be given.

Questions sometimes ask for an answer to be presented to a specific number of decimal places and some candidates lose marks by not following this instruction. In the case of ratios the correct expression for the ratio should always be shown.

Finally, it was evident that some centres had used past paper material as a teaching resource and this is to be encouraged.

F011 Accounting principles

General Comments

A pleasing number of the candidates produced answers to a good standard this examination series.

The candidates appeared to find Question 1 easier than in previous sessions, though this may indicate more about the preparedness of the candidates, rather than the actual difficulty of the question.

The standard of the written answers also appeared to be significantly higher than in previous examination series.

Comments on Individual Questions

- 1 (a)** Many of the candidates produced good answers to this part of the question. A problem for some candidates in the Trading Account was showing the opening stock net of drawings, rather than deducting the stock drawings from purchases. Sometimes the candidates incorrectly showed the adjustments for stock drawings and/or purchase returns below closing stock. On the Profit and Loss Account the most common error was the incorrect calculation of loan interest. On the Balance Sheet the most common problem was the incorrect placement of the loan under Long Term Liabilities. Other common problems were the incorrect calculation of debtors, the omission of loan interest from current liabilities and the incorrect calculation of the bank overdraft or the misplacement of this entry under current assets.
- 2 (a)(i)** Most of the candidates achieved full marks for this part of the question.
- 2(a)(ii)** Some of the candidates entered the provision for doubtful debts rather than as a balance carried down.
- 2 (a)(iii)** Most of the candidates achieved full marks for this part of the question.
- 2 (a)(iv)** Many of the candidates achieved full marks for this part of the question but some used incorrect descriptors and a few transposed the entries.
- 2 (b)** Most of the candidates entered the correct value for bad debts. Their entry for the provision for doubtful debts was usually dependent on their entry for part (a)(iv) but often benefited from the own figure rule.
- 2(c)** Most of the candidates entered the correct value for debtors, though some of them omitted to deduct the value of bad debts. Their entry for the provision for doubtful debts was usually dependent on their entry for part (a)(iv).
- 2 (d)** It was encouraging to see some good answers to this part of the question with the candidates attempting to get to grips with the problems presented in the question. Better answers tackled the issue of an apparent lack of credit control. Weaker answers tended to be purely descriptive with little or no attempt at evaluation.
- 2 (e)(i) & (ii)** A significant proportion of the candidates did not seem to understand what is meant by a trade discount. A common misconception was that it is treated in the same way as a cash discount. Some candidates thought that cash discounts were simply given for paying in cash 'up front'.

F012 Accounting applications

The cohort entered for this examination consisted mainly of resit candidates and many were generally able to demonstrate a good knowledge of, and the ability to apply a good range of accounting skills to the questions. Most of the candidates were able to attempt all four questions in the time allotted.

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

- 1(a)** On the whole this part of the question was well answered, with many of the candidates able to achieve quite high marks. The most common errors included failing to make four entries for error (iii) and using incorrect narratives in relation to error (vi) where the owner took goods for own use out of the business.
- 1(b)** Most candidates achieved some marks on this part of the question; however, common errors included putting the balance brought down on the wrong side or using incorrect narratives.
- 1(c)** Few candidates achieved full marks on this part of the question. Many of them incorrectly increased or decreased the figures. A number of the candidates failed to correctly adjust for the general expenses and commission received errors. Drawings were often incorrectly shown as a decrease in the net profit.
- 1(d)** The candidates generally achieved good marks on this part of the question and were able to correctly identify and explain errors not affecting trial balance agreement. Candidates should remember that they must develop their answers in order to achieve maximum marks.
- 2(a)** This part of the question was answered very well by most of the candidates with many of them achieving full or almost full marks. Common errors which did occur were the calculations of general expenses, rent and loan interest.
- 2(b)** Generally most of the candidates achieved good marks on this part of the question and were able to explain the purposes of budgeting. Once again the candidates must remember to develop their answers.
- 3(a)** The majority of the candidates were able to correctly calculate the ratios from the information given. The ROCE proved a little more challenging, with many candidates using the opening capital balance rather than the closing capital balance (as instructed in the question). A number of the candidates lost marks by failing to round the figures to two decimal places as instructed in the question or showing any signage on the ratios. The candidates must remember to read the requirements of questions carefully.
- 3(b)** There were some excellent answers demonstrating good analysis and evaluation of the ratios including details as to why the changes had occurred. However, a number of the candidates simply repeated what they had calculated thus failing to analyse the ratios.
- 4(a)** Many of the candidates made a reasonable attempt at this part of the question, although a number of them failed to correctly calculate the purchases or make adjustments to the bar staff wages.

4(b) The majority of the candidates were able to draw up an Income and Expenditure account and a Balance Sheet, however common errors included the candidates being unable to provide a correct calculation of the subscriptions. A number of the candidates also failed to calculate the profit from the dinner dance, instead putting it down as two separate items in the income and expenses. Centres must note that this type of adjustment has been asked on numerous occasions on previous question papers and to be awarded marks the candidates must calculate the profit. Few candidates were able to correctly calculate the interest on the savings account. Other common errors included the omission of the bad debts and the loss on the sale of the equipment. Many candidates incorrectly calculated the provision for depreciation of equipment. Common errors on the Balance Sheet included errors on the accruals and prepayments in the current assets and current liabilities.

QWC marks were often lost through poor presentation, heading and layout.

Most candidates were able to gain some marks for QWC, with quite a few obtaining full marks.

F013 Company accounts and interpretation

The performance of the paper was generally very high and very few weak candidates attempted the paper.

The majority of the candidates were very well prepared for the examination and performed well, especially on the written narrative questions and Question 1. The higher ability candidates performed well on all parts of the question paper.

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

- 1(a)** This part of the question was very well answered by the majority of the candidates. The correct total of £408 190 for factory overheads was correctly calculated by many candidates. Weaker candidates did not show the correct depreciation figures in the Manufacturing Account or in the Profit and Loss Account. The quality of presentation was generally very good.
- 1(b)** Many candidates were very well prepared for this type of question. There were many good answers on the prudence concept and SSAP 9. The higher ability candidates made reference to the realisation concept and when profit should be recognised in the accounts. A small number of the candidates gave no response to this part of the question
- 2(a)** In previous examination series a number of candidates used a ledger presentation when journals were requested. In this examination series such candidates were in a very small minority and most of those who had used ledgers then converted their answer to a journal layout. The first two transactions were well-answered and many candidates achieved high marks. Some candidates were unsure of how to enter the receipt of the call money and made a journal entry of £4 000. Thus, a very well answered question with many candidates achieving the full 18 mark allocation.
- 2(b)** Many candidates gave an answer which dealt with the negative aspects to the shareholder and failed to mention the positive aspect of an increased investment improving profitability and increasing returns for the equity holders. Weaker candidates failed to mention that an increase in the loan would increase the gearing of the company.
- 3(a)** This part of the question was very well answered by the majority of the candidates. A number of the candidates failed to express the sales:capital employed ratio as number of times and many of them showed the answer as a percentage. The dividend yield was very well answered with the majority of the candidates providing clear workings for the ratio calculations. Candidates must express each ratio correctly and to two decimal places as stated in the question.
- 3(b)** This part of the question was generally well answered, although it produced the largest spread of marks. A number of the candidates failed to answer the question and produced ratios for liquidity and did not state how liquidity could be improved. Many of the weaker candidates failed to develop the answer. A reduction in the level stock was a common answer but it was frequently not developed, as was how it could be reduced through methods such as just in time stock methods. Some of the weaker candidates also failed to give three reasons. The higher ability candidates achieved high marks through very well developed answers.

F014 Management accounting

Nearly all centres enter their candidates for unit F014 in the summer series; therefore, the following comments relate to a relatively small entry. There were many candidates who were well prepared for the examination and consequently produced very pleasing 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 lack of knowledge and ability, rather than of time.

- 1(a)** Many of the candidates correctly calculated the total contribution for each product and developed their answer to show total profit. Some of the candidates calculated the profit for each product only, and did not show the total profit. Most candidates calculated the correct break-even in units and sales value.
- (b)** While many of the candidates presented a contribution to sales graph, some presented a break-even graph. A few candidates did not attempt this part of the question.
- (c)** Most of the candidates correctly calculated the contribution per unit for each product and many correctly related to the limiting factor. Frequently, the correct maximum profit was calculated by the candidates adopting the limiting factor approach. Some candidates, however, calculated profit without applying the limiting factor.
- (d)** The margin of safety was well understood by most candidates. Some of them, however, related break-even to profit rather than to sales. There were many good responses on the usefulness of the margin of safety.
- (e)** There were many good responses on the limitations of break-even, although some candidates did not sufficiently develop their responses.
- 2(a)** Many of the candidates correctly dealt with the fixed costs under marginal costing and absorption costing and there were many correct calculations of gross profit. Some candidates did not calculate the correct closing stock.
- (b)** Most of the candidates correctly responded with absorption costing as the method to be used in published accounts; however, development, in some instances, was insufficient.
- 3(a)** Most of the candidates calculated the correct net cash flows for each product, although some did not add back depreciation to net profit. Most of the candidates correctly calculated the payback and pleasingly followed the instructions to round to two decimal places. Many candidates were able to apply the correct format for calculating the net present value; and while most of them entered the initial capital cost, some omitted the residual value.
- (b)** Many of the candidates correctly responded with timing and the full period not being considered as limitations of payback. Some candidates did not, unfortunately, fully develop their responses.
- 4(a)** Many of the candidates calculated the correct overhead absorption rate for each department. Some of them however, used the wrong basis for reapportioning overheads.
- (b)** Whilst there were some correct responses to over/under absorption of overheads, many candidates were unable to correctly relate actual to absorbed values.

- (c)** There were many very good responses on how an inaccurate rate of overhead absorption can adversely affect the profit of a business. Whilst most of these related to over and under absorption, some did not relate to the generic impact of estimated data.

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