

GCE

Accounting

Advanced GCE **A2 H411**

Advanced Subsidiary GCE **AS H011**

OCR Report to Centres June 2016

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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 was generally pleasing with the questions on bookkeeping and those 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: Adjustment of opening stock for owner's stock drawings and misplacing of closing stock before adjustments.

Profit & Loss Account: The most common error was miscalculation of Insurance and sometimes Loan Interest.

Balance Sheet: Current Assets: The prepayment for Insurance was often miscalculated, as was the Net Debtors figure. Current Liabilities: omission of accrued salaries.

The standard of presentation of candidates' work seems to be improved compared with previous sessions with more achieving the two marks available for QWC.

1(b)(i) Some candidates had difficulty describing this principle but most were able to correctly identify an example.

1(b)(ii) A number of candidates did not refer to the valuation of Fixed Assets in relation to this concept.

2(a)(i) Many candidates found this challenging, the most common error being to assume that the opening prepayment represented three months rather than one.

2(a)(ii) Generally quite well answered.

2(b) Some good answers to this question.

Discounts Received/Allowed: Weaker candidates sometimes hedged their bets by claiming that these were awarded for bulk buying **or** early settlement. Not all candidates clearly stated that these discounts were given by creditors/to debtors and some claimed that that the discount represented a reduction in the price and/or given at the time of sale rather than a reduction in the amount required to be paid on settlement. Some candidates claimed that cash discounts were given for payment in cash.

Trade Discount: Not all candidates stated that this is usually a business to business discount, though a pleasing number were aware that it represents a reduction in list price and therefore does not go through the double entry system.

F012 Accounting Applications

General Comments:

Many candidates were well prepared and most attempted all questions. The marks achieved covered a wide range and there were many well-presented responses.

Comments on Individual Questions:

Question No.

1(a) There were many very good responses and frequently candidates demonstrated a good understanding of stock valuation. Errors tended to be made for the entries requiring conversion from selling price to cost.

1(b) Some candidates described the actions they had taken but did not explain why. There was frequent reference to SSAP 9 and for commenting stationery was not for resale. Few mentioned stationery would be treated as an expense.

2(a)

Many candidates gained high marks for the set of accounts, although there were few completely correct responses. Frequently totals for sales and purchases were incorrect, however candidates did gain marks for some correct calculations, when shown. The loan interest was often shown for a full year rather than the six month period for which it related to. The other expense entries were frequently correct. The fixed assets in the Balance Sheet were frequently correct and most candidates gained some marks for the current assets and current liabilities. Some entered commission receivable as a current liability and omitted the loan interest owing. Most correctly showed the loan as a long term liability. Some candidates entered capital as a balancing figure rather than specifically calculating.

2(b)

There were frequent responses to partnerships and public limited companies rather than private limited companies. Limited liability was frequently noted as an advantage and possible loss of control as a disadvantage.

3(a)

There were many correct presentations for the accounts. Some candidates lost marks for not identifying values and incorrectly adjusting expenses.

3(b)

Whilst most candidates demonstrated a good understanding of accounting ratios, some did not follow the question requirement of expressing to two decimal places. Some did not express ratios correctly.

3(c)

Many responded on how they had calculated the ratios and did not evaluate the comparative performance of the two businesses.

4(a)

Most correctly calculated the interest on capital, however many did not calculate the correct interest on drawings for each part of the year. Some candidates deducted interest on drawings and added interest on capital.

4(b)

The current accounts were well presented by many candidates. Some lost marks for not showing a correct balance c/d.

4(c)

Whilst most candidates made some correct entries, frequently the revaluation was omitted or not correctly made. Goodwill adjustments were frequently correctly made. The payment provided by the new partner was sometimes referred to as capital rather than bank.

F013 Company Accounts and Interpretation

General Comments:

The overall performance on the paper was very high with many 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:

Question No.

1

This question was answered very well by the majority of candidates. The majority of candidates were able to correctly calculate the prime cost of £1,217,000. Candidates also showed the correct breakdown of factory indirect costs.

A minority of candidates failed to include carriage inwards and purchase returns of raw materials in the calculation of direct materials. A few weaker candidates showed incorrect classification of costs in the manufacturing account.

Many candidates correctly calculated the manufacturing profit and the correct classification of expenses in the profit and loss account. A few candidates presented the profit and loss account under the headings of administrative expenses and distribution costs.

Presentation was generally very good.

2(a)

A high number of candidates scored full marks on the calculation of ratios. A small number of candidates did not express as times and used percentages. A small number of candidates used the incorrect capital employed figure in the calculations. The majority of candidates were able to correctly calculate the dividend yield. A very small number of candidates gave no response answers for dividend cover and gearing.

2(b)

This question was generally answered very well and the well prepared candidates developed answers that made reference to the key areas of improving the cash and liquidity. A majority of candidates were prepared for this question and gave responses ranging from just in time stock management to the issue of shares and bank loans. Weaker candidates gave generic answers.

3(a)

Many candidates scored full marks on this question and were able to correctly show the journal entries for application and allotment account, and the share capital and share premium account. Weaker candidates could not process the correct double entry and gained lower marks on this question. A small number of candidates reversed the entries for the final call and the bank.

3(b)

Many correct answers included reference to the memorandum of association and the difference between issued share capital and authorised capital.

3(c)

Many candidates were well prepared for this question and gave clear advantages and disadvantages of preference shares. Good answers made reference to increased gearing and the financial burden of paying preference dividends when profits are low. Many candidates made reference to cumulative and non-cumulative shares. A very small number of candidates gave a no response answer.

F014 Management Accounting

General Comments:

Most candidates were able to complete the paper in the allocated time. The standards achieved covered a wide range of marks and some excellent scripts were presented.

Comments on Individual Questions:

Question No.

1(a)

Whilst there were many completely correct responses, some candidates showed closing balances in units rather than in monetary values.

1(b)

Trading Accounts were correctly presented by many candidates. A few did show purchases in units rather than as a monetary value.

1(c)

There were frequent references to methods being acceptable under SSAP 9 and to HMRC. There was some confusion between physical movement and valuation of stock.

2(a)

Most candidates correctly calculated the current factory overhead rate and applied it to calculate a selling price for the job. Some candidates confused profit margin with mark up.

2(b)

Many candidates correctly calculated overhead recovery rates for each department. A few did not express correctly.

2(c)

Many candidates correctly applied the overhead rates for each department to arrive at a new selling price. Some candidates confused profit margin with mark up.

2(d)

There were many good responses evaluating the different methods with frequent references to overheads being time based. Some candidates did not specifically comment on the appropriateness of the methods for the business.

2(e)

Candidates frequently demonstrated a good understanding on the impact on profit of an inaccurate overhead absorption rate.

3(a)

There were many well-presented completely correct responses for both marginal costing and absorption costing. Some candidates did make arithmetical errors.

3(b)

Whilst there were some very good responses, frequently candidates described marginal costing and the calculation of contribution rather than giving specific applications.

4(a)

Few candidates calculated the correct standard cost for the production in the month. Frequently calculations were based on the standard production rather than actual production. The actual cost was usually correctly calculated.

4(b)

Variances were frequently correctly calculated. The main error was not calculating the material usage variance and labour efficiency variance with actual production in units. Most candidates correctly stated whether variances were adverse or favourable.

4(c)

There were few correctly presented reconciliation statements with candidates not demonstrating an understanding of the statement format.

4(d)

Many candidates correctly linked a favourable material price variance with a cheaper material and lower quality. Some also developed to link with a possible adverse labour efficiency variance.

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