

**GCE**

**Accounting**

Advanced GCE **A2 H411**

Advanced Subsidiary GCE **AS H011**

**OCR Report to Centres June 2017**

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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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## CONTENTS

**Advanced GCE Accounting (H411)**

**Advanced Subsidiary GCE Accounting (H011)**

### OCR REPORT TO CENTRES

<b>Content</b>	<b>Page</b>
F011 Accounting Principles	4
F012 Accounting Applications	5
F013 Company Accounts and Interpretation	7
F014 Management Accounting	8

# F011 Accounting Principles

## General Comments:

Most candidates were able to complete the paper in the allotted time. The standards achieved covered a wide range of marks and some excellent scripts were presented. Frequently candidates gained high marks for question 1, the preparation of final accounts.

## Comments on Individual Questions:

Question No.

1(a)

Many candidates achieved high marks. Within the Trading section some candidates misplaced closing stock before the adjustments for carriage inwards and drawings. Some candidates did not make the correct adjustment for rent received and deducted the amount owing rather than adding. The Profit and Loss expenses were correct for many candidates, although for some the adjustments for general expenses were not complete. Some did not enter the loan interest for the year.

The Balance Sheet was well prepared by many candidates. The main area for improvement would be the correct adjustment for debtors to reflect the provision for doubtful debts and showing the rent received as a current liability. Most candidates correctly split the loan under current liabilities and long term liabilities. The financed by section was correct for many candidates.

2(a)

It is important to remind candidates to calculate depreciation for the full period and for the entire period.

2(b)

There was a wide range of responses with some candidates demonstrating a thorough knowledge of depreciation calculations and double entry. Most candidates entered the correct opening balances in the asset accounts. The calculation of depreciation for the disposal proved challenging for many. Candidates should remember to take into account the proportion of each year for which depreciation applied. Marks were awarded for narrative and values and frequently candidates did not show the correct narrative.

2(c)

Whilst the question required a discussion of the appropriateness of the methods to the fixed assets, some candidates described how the methods worked. There were however, many relevant responses developing reducing balance to fixed assets that lose more value in the earlier years. Some candidates responded on the causes of depreciation.

2(d)

Candidates should be encouraged to give specific responses were given for the concepts with reference to their application to depreciation.

## F012 Accounting Applications

### General Comments:

Candidates were generally able to demonstrate a good knowledge of, and 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. The majority of candidates were able to attempt all four questions in the time allotted.

Candidates should also 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. Candidates should be encouraged to use a ruler throughout and to ensure that all titles are included. Good use was made of the workings areas.

It is worth stressing the often repeated advice that candidates should read the question paper carefully and to follow all the instructions.

Candidates used their knowledge and skills appropriately to respond to question 4 with many correct adjustments. Some candidates struggled with item (viii), where goods on a sale or return basis. A significant number of candidates had problems to correctly explain the errors.

### Comments on Individual Questions:

Question No.

1 (a)

On the whole this was answered very well. The main potential for improvement was reversal of entries and the use of the suspense account when it was not needed. The main difficulty was the final error where candidates needed to correctly identify the correct double entry accounts referring to the purchases journal and general ledger rather than Bertie's account and the purchases account; a number of candidates also used the suspense account instead of the purchases account.

1 (b)

Quite well completed with many able to identify the correct balance b/d on the credit side, a few incorrectly identified this as a balance c/d.

1(c)

Most made quite a good attempt at this question achieving full marks. It's important for candidates to check that the direction of the adjusting figures is correct and to include the adjustment for machinery or using a correct figure of 1000 for the adjustment. Candidates must remember to label all their adjustments including the final revised net profit figure.

1(d)

Many were able to identify and explain the errors achieving full marks. However a number were only able to identify the error. These answers could be improved by explaining or providing enough detail to be access full development marks.

2 (a)

On the whole this question was well answered with many candidates able to correctly prepare a bar trading account. Some candidates had problems to correctly calculate the purchases figure and the bar staff wages. It's important for candidates to label the cost of sales figures.

2 (b)

Few candidates were able to produce a perfect Income and Expenditure account and Balance Sheet although a number gained quite high marks. Candidates must remember to net off profit from fundraising activities in the income section rather than split it up between the income and expenditure, this has been highlighted in previous sessions. Errors were made when calculating the subscriptions; a number included the sale of the fixed asset in the income section. In the expenditure section most were able to correctly adjust the accrual on the general expenses, although some omitted the loss on sale of fixed assets. Many were able to correctly calculate the correct figure for depreciation. Candidates should also remember to use the correct terminology, using Deficit rather than loss, as marks were lost for incorrect labelling.

On the balance sheet, the majority of candidates correctly calculated the fixed assets, although a few didn't total the fixed assets. Areas for improvement in the current assets would be to include correct figure for subscriptions and this has improved from previous sessions, to calculate the closing bank balance, a number of candidates incorrectly used the opening bank balance. The current liability section was often correct with many candidates achieving full marks. Many candidates were able to correctly calculate the correct accumulated fund figure which is an improvement from previous sittings. QWC was awarded on this question and candidates should be reminded to put titles on their account and to underline titles and sub heading with a ruler or to rule off their accounts. Candidates must remember the importance of good presentation of their accounts.

3(a)

This question was answered very well with many candidates obtaining full marks. Errors were sometimes made in the calculation of wages and general expenses where candidates confused which month of payment was due.

3(b).

A mixed response to this question with very few candidates getting full marks. The key benefits should have been discussed in more detail.

4 (a)

This question was well answered by some candidates who correctly adjusted all the items in the stock valuation. A number of candidates had problems to adjust the selling price to cost price, or adjusted the items in the wrong direction. Item (viii) 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)

Some candidates achieved good marks on this section. However a larger number did not perform well, the majority of candidates described how to treat the error rather than an explanation of the correct treatment of the items.

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

### Comments on Individual Questions:

Question No.

1 (a)

This question was answered very well by the majority of candidates. The majority of candidates were able to correctly calculate the prime cost of £1,422 500. Candidates also showed the correct breakdown of factory indirect costs.

A minority of candidates had problems to correctly calculate the depreciation on factory machinery. A few weaker candidates showed incorrect classification of costs in the manufacturing account.

A few candidates presented the profit and loss account under the headings of administrative expenses and distribution costs. Weaker candidates failed to show commission received and reduction in the provision for doubtful debts as an increase in profit

Presentation was generally very good.

1(a)

Very well answered with clear reference to true and fair and the creation of a capital reserve.

2 (a)

This question was generally answered very well and the well prepared candidates gained very high marks. The net cash flow from operating activities was correctly shown as £59 850. Some weaker candidates had problems to correctly calculate the purchase of fixed assets as £461 250. Workings were generally very good.

2(b)

Many candidates were very well prepared for this question and made clear reference to reliability, comparable, relevant and understanding. Answers were well developed with reference to users making financial decisions. A few weaker candidates were not prepared for this question and gave generic answers on true and fair.

3 (a)

Many correct answers. Some candidates struggled to correctly calculate the dividend yield and used the wrong formula. A few candidates did not use times or percentage for the required ratio

3 (b)

Many candidates were well prepared for this question and gave clear reference to stock management with just in time systems and economic ordering quantity. Some very good answers on the sale of fixed assets and a possible share issue.

## F014 Management Accounting

### General Comments:

Many candidates had prepared well for the paper and the quality of work was very pleasing with some excellent scripts presented. Candidates frequently produced answers demonstrating their knowledge of the topics covered in the unit. No difficulties were apparent with completing the paper in the time allowed.

### Comments on Individual Questions:

Question No.

1(a)

Variations were frequently correctly calculated, particularly for material price and labour rate. A few candidates did not use the actual batch of 50 units in calculations for material usage and labour efficiency. Most candidates did correctly indicate whether variations were adverse or favourable.

1(b)

There were few completely correct reconciliation statements with candidates not demonstrating an understanding of the statement format. The overhead variance was frequently omitted from presentations.

1(c)

Many candidates presented valid reasons for the variations for each of the materials and labour with frequent links to quality of material and skill of labour. Some candidates responded in generic terms on reasons for variations rather than relating to the specifics of the question.

1(d)

There were many well developed responses on benefits of standard costing particularly management by exception and variance analysis.

2(a)

There were few completely correct cash budgets, although most candidates were able to gain marks throughout the question. The cash sales were frequently correctly entered however many candidates did not correctly apportion the receipts for the credit sales and did not use the remaining 90% as the basis for calculations. Most candidates entered the receipt for machinery. Many candidates entered the correct amounts for purchases each month. The remaining payments were frequently entered correctly.

2(b)

There were many well developed responses on behavioural aspects of budgeting with frequent references to motivation, communication and goal congruence. A few candidates however did not follow the question requirements and responded on the advantages of budgets.

3(a)

There were many completely correct responses with candidates following the question requirement of showing contribution per unit in calculations. This was frequently followed by correct application of the limiting factor. Some candidates did make arithmetic errors.

3(b)

Again, many candidates showed the correct contribution per unit in calculations and went on to show a revised profit.

3(c)

There were many well developed evaluations of the options with reference to profit and customers. Candidates should be reminded to make a final decision on the options. Some candidates repeated information on calculations without providing evaluation.

4(a)

Most candidates correctly entered the costs incurred during the second year of the contract; however, some reversed the opening balances. Many candidates correctly applied the 15% retention to the cash received in order to arrive at the value for work certified. Some candidates carried the loss forward even though the contract had been completed.

4(b)

Most candidates provided good responses for the retention, frequently noting the customer would be in a stronger position if faulty work was subsequently discovered.

4(c)

Most candidates were aware of the correct treatment of a loss and many related to the prudence concept.

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