

Vocational Qualifications (QCF, NVQ, NQF)

Bookkeeping and Accounting Skills

Bookkeeping and Accounting Skills (Manual) Level 2 Award – **05527**

Bookkeeping and Accounting Skills (Computerised) Level 2 Award – **05528**

Bookkeeping and Accounting Skills Level 2 Certificate – **05529**

OCR Report to Centres: 2016 – 2017

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

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.

OCR will not enter into any discussion or correspondence in connection with this report.

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OCR REPORT TO CENTRES

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Level 2 Bookkeeping and Accounting Skills (Manual and Computerised) – 05527–05529

Overview:

The Bookkeeping and Accounting Skills series are vocationally-related, credit based qualifications that provide valuable opportunities for individuals to further develop skills, gain greater underpinning knowledge and understanding, demonstrate competence in the workplace and provide progression to the accounting sector. They support achievement of Functional Skills/Essential Skills and relate to national occupational standards (NOS).

The Level 2 Award(s)/Extended Award in Bookkeeping and Accounting Skills has been designed to provide candidates with a flexible, modern and coherent introduction to key topics in bookkeeping/accounting and requires previous knowledge in bookkeeping skills, ideally the Level 1 qualification. They are suitable for those employed in a bookkeeping/data processing role wishing to further develop their bookkeeping and accounting skills. They are suitable for those expected to work autonomously in carrying out accounting tasks. Candidates could progress with professional accounting bodies such as the AAT and CIPFA.

The following units comprise the Level 2 Bookkeeping and Accounting Skills series:

05527 – Award in Bookkeeping and Accounting Skills (Manual)

M6 – Preparing and recording financial documentation

M7 – Maintaining and reconciling the cash book

M8 – Processing ledger transactions and extracting a trial balance

M9 – Maintaining control accounts

05528 – Award in Bookkeeping and Accounting Skills (Computerised)

C3 – Process routine payments and receipts using a computerised system

C4 – Setting up accounting software to manage accounting information

C5 – Carry out stock control processes using a computerised system

05529 – Certificate in Bookkeeping and Accounting Skills

This comprises all units from qualifications 05527 and 05528 (M6 – M9 and C3 – C5) plus:

M5 – Maintaining petty cash records - from the Level 1 Award (Manual)

M10 – Maintaining the journal - additional Level 2 unit not included in Level 2 Award (Manual)

Each of the live assignments (including answer books) is available for centres to download from OCR's secure website Interchange. These can be printed for each candidate to complete under examination conditions. Candidates will have 10 minutes reading time before the time allowed for completion of each unit.

The data files for the Computerised Units are also available to download from interchange as CSV files and have been amended for C5 for various versions of Sage. The csv files now have to be mapped from csv format into Sage and some assessors find this time consuming. External assessment applies to all Units in these qualifications. Centre staff must not assess candidates' completed assignments before they are sent to the OCR Examiner for moderation.

Two sets of assignments have been provided for the current year and they will remain live for two years, before being withdrawn to be used as practice material. There is no requirement for candidates to work towards units in any particular order and tutors may tailor learning programmes to meet individual needs. There will be two new live assignments provided for the year 2017-2018 (live from October 2017) and the following assignments will be available for the whole of the academic year 2016-2017:

2016 – 2017 Sets A & B

2017 – 2018 Sets A & B

These are live papers and **should not** under any circumstances be used for practice by candidates.

General Comments

During the current academic year, the total number of entries for the Level 2 suite of accounting qualifications has been disappointing lower than the previous year's entries. The pass rate, however, has increased slightly. Units M7, C3 and C5 have once again been the most successful. There have been very few candidates attempting Unit M10 and the pass rate has been disappointing, as it has also been for Units M6 and M9; of the computerised units, Unit M6 and C4 have caused most problems for candidates.

Unit M6 has changed slightly this series due to the changes in settlement discount/prompt payment rules by HMRC. Both live sets of papers will now be the same, so Tutors need to be fully aware of HMRC guidelines relating to Prompt Payment Discount (PPD). Other awarding bodies have also had this problem to address, but did not amend till this academic year.

Comments on Individual Units

Unit M6: Preparing and recording financial documentation

The purpose of this unit is to develop learners' skills in processing financial documents. This involves preparing and recording the necessary documents to be sent to customers as well as processing payments received. It also involves processing and recording documents received from suppliers and preparing payments to suppliers.

The responses to this task were very mixed, and many candidates did not complete the invoice and credit note details accurately, had difficulty with cash and trade discounts as well as the new system for PPD if they sat the latest version of the assessment. Submitted incomplete Statements and Remittance Advice Notes.

Common faults in Unit M6 - Preparing and recording financial documentation

Invoice and Credit Note details inaccurate or incomplete - order numbers, dates and references omitted.

Reason for return of stock not entered on Credit Note

Incorrect VAT calculation for invoices and credit notes (calculated on 'net amount' instead of 'net amount less the cash settlement discount') This problem should now disappear due to the HMRC rules change on PPD.

Statement details incomplete

Sales and Purchase Ledger Accounts not balanced as requested

Remittance Advice Note details entered into the wrong column debit/credit and payment and/or discount omitted.

Unit M7: Maintaining and reconciling the cash book

This unit is the Level 2 version of M4 at Level 1.

The purpose of this unit is to develop learners' skills in maintaining the cash book by entering receipts and payments accurately, balancing off the cash book and reconciling with a bank statement.

Responses to this task were mainly accurate, although many candidates had difficulty with overdrawn bank balances.

Common faults Unit M7 – Maintaining and reconciling the cashbook

Opening overdrawn bank balance entered on the wrong side of account or entered on both sides of the cashbook.

Overdrawn bank balance brought down to the updated cashbook on the wrong side

Incorrect calculations

References omitted from transactions updating the cashbook, DD, BACS, BGC, SO etc

Overdrawn amounts entered in the Bank Reconciliation Statement without either a bracket or O/D to denote overdrawn amount - this should be clearly shown on all overdrawn amounts on the bank reconciliation statement.

Incorrect process used for balancing the reconciliation statement. For an opening overdrawn 'balance as per cash book', the 'bank lodgements not on statement' should be added first and the 'unpresented cheques' subtracted from the subtotal, candidates are penalised if they reverse bank reconciliation statement. Balance at the end should match actual balance on the bank statement they have reconciled against, so they have the answer and often include this on bank reconciliation statement even though the figures do not calculate to this amount. This is penalised.

Unit M8 – Processing ledger transactions and extracting a trial balance

The purpose of this unit is to develop the learner's skill in balancing off the accounts held within the ledgers and from them, preparing an initial trial balance.

There were some excellent responses to this task, however some candidates did not post the transactions from the cash and petty cash accounts with accuracy and most had difficulty with the narratives in the VAT account, samples of worked solutions are available on the OCR website and tutors should make candidates aware of the correct layout for each account for this unit and also for Unit M9.

Common faults in Unit M8 – Processing ledger transactions and extracting a trial balance

Incorrect dates for postings from the cash and petty cash accounts

Cash transactions entered with the narrative 'Cash Book', instead of 'Cash'. The Cash Book is part of the Ledger in which both the Cash and Bank Accounts are entered

The total omitted from one side of the Nominal accounts - incomplete double entry

Transactions entered on the wrong side of the VAT account

Postings from the Cash account to the VAT account for 'VAT on purchases' and 'VAT on expenses paid' were totaled instead of being entered as separate transactions. They should use the actual dates of the transactions and narratives to specify the type of transaction (eg 'cash purchases' and 'cash building repairs' not combined).

Omission of Trial Balance column headings DR and CR (accept 'debit' and 'credit' as well)

Unit M9 – Maintaining control accounts

The purpose of this unit is for the learner to understand the importance of maintaining control over debtors and creditors aided by preparation and use of debtor and creditor control accounts.

Very few candidates presented work of a high standard, and many had difficulty with processing the bad debt and entered incorrect narratives in the VAT account, this continues to cause problems for candidates.

Common faults in Unit M9 – Maintaining control accounts

Incorrect processing of the bad debt or partial bad debt entry - incorrect numeric amounts, even though the figures are given to candidates.

Omission of 'total' from the narrative in the Control Accounts to denote the postings from the day books were 'totals for the month' - day book entries should not be entered individually in the sales ledger control or purchase ledger control accounts.

Postings from the cash account to the VAT account for 'VAT on purchases' and 'VAT on expenses paid' were entered as one transaction instead of two, candidates should be aware of this entry from unit M8. The entries should be 'Total cash purchases' and 'Total cash expenses', where the expenses are specified as the nominal account used in the relevant assignment eg 'Total cash stationery expenses'

Omission of the reconciliation explanation (narrative) in the debtors' and creditors' lists to denote that the balances equal the balances on the control account.

Many candidates still entered the narrative when the ledger control accounts did not balance with the debtors/creditors list.

Unit M10 – Maintaining the journal

The purpose of this unit is for the learner to understand that the journal is a primary accounting record that lists non-standard bookkeeping transactions and that it is then used to enter those transactions into the double entry bookkeeping records.

In this unit the majority of candidates had difficulty identifying the correct journal accounts to complete corrections or entered reversed journals. This is due to a lack of understanding of the double entry system.

Common faults in Unit M10 – Maintaining the journal

Omission of the narrative to explain the reason for the journal to open the books of a company.

Omission of the narrative to explain the reason for journal entry. In Part 1 these must be exactly specified using the relevant accounting terms - error of omission, commission etc.

Incorrect accounts identified to complete journal entries - you should only use the accounts listed on the starting list of balances.

Accounts entered in the wrong column debit/credit for journal entries

Posting of journal entries to incorrect side of double entry accounts

VAT content of journal entries not identified/calculated correctly

Incorrect calculation of partial 'bad debt' payment, especially when the payment is for example 8p in the pound, candidates entered 8p instead of calculating the amount received for 8p in every £. This also causes problems in unit C4 with the part payment of bad debt.

Suspense account not balanced, with no balance b/d on the account when journal entries are incorrect and suspense totals are not equal. When all the errors have been corrected the suspense account should balance and candidates need to show the balanced account.

Unit C3 – Process routine payments and receipts using a computerised system

The purpose of this unit is for the learner to understand the business and computer environment, enter transactions into the nominal ledger, correct transaction errors, process salary journals, carry out reconciliations to verify information generated and produce reports using selection criteria and parameters.

There were some excellent responses to this task and most candidates achieved the standard required for this unit.

Common faults in Unit C3 - Process routine payments and receipts using a computerised system

Incorrect tax codes entered for zero rated VAT, exempt VAT and 'not liable to VAT'

Incorrect Net and VAT calculated for recurring entries

Incorrect procedure for entering Employer's NI in the Salary Journal. This should be entered in the Employer's NI account and totaled with Employees' NI in the NI Liability account; not subtracted from the gross wages, expense of employing staff it is extra to wages paid.

Use of 'Adjustment Posting' instead of the relevant transaction details for Bank Adjustments - candidates need to specify 'DD', 'SO' or BACS. Text fault is incurred if 'AdjPos' is not replaced.

Incorrect report printed for 'Bank Statement for Reconciled and Unreconciled transactions'

Incorrect choice of report or 'date criteria' when report requested for specific accounts or for one month only.

Reports should always be for specified period. If they are not then on occasions evidence cannot be confirmed by the assessor. Incorrect report or date range incurs a concept fault.

Unit C4 – Setting up accounting software to manage accounting information

The purpose of this unit is for the learner to understand the business and computer environment, set up company information on accounting software, create and maintain accounts, enter opening balances, enter transactions into the sales, purchase and nominal ledgers, make journal entries where appropriate, produce management information relating to customers and suppliers and produce reports using selection criteria and parameters.

Many candidates had difficulty with this unit, especially when completing the journal entries to record various transactions, including part payment of bad debt.

Common faults in Unit C4 – Setting up accounting software to manage accounting information

Omitted or incorrect nominal account or customer and supplier opening balance details. This will cause a balance to remain in the Suspense account; candidates should always check the suspense account has no figure in the trial balance before continuing with the assessment.

Incorrect processing of the contra entry, failing to allocate the credit note or payment on account before processing the contra entry. The candidate is instructed to allocate part payment of contra entry in the assessment.

Reversed journal entry for correction of nominal ledger accounts, especially when relating to receipt income accounts, rent received etc, this is repeated by some candidates instead of being reversed.

Incorrect tax codes used for journal entries when a transaction included a zero rated or standard rated item. The bank account always uses the 'not liable to VAT' tax code.

Unit C5 – Carry out stock control processes using a computerised system

The purpose of this unit is for the learner to demonstrate competence in using a computerised accounting system to add and amend stock records, produce sales and purchase orders, generate and print stock invoices, create stock credit notes, update sales ledger and stock levels as appropriate and produce appropriate reports using selection criteria and parameters.

There were some excellent responses to this task and most candidates achieved the standard required for this unit

Common faults in Unit C5 - Carry out stock control processes using a computerised system

Omission to update ledgers

Omission of new cost price for stock 'adjustment in'

Incorrect report produced for 'stock audit trail'; many candidates submitted a 'transactional or summary audit trail'

Omission of Sales Order and/or Purchase Order Lists and Status Reports, this is made up of two reports and both need printing for evidence when marked. The candidate is advised in the assessment that it may require two reports for all information to be evidenced.

Incorrect date range for Stock Audit Trail, Sales and Purchase Order Lists and Sales and Purchase Order Status Reports.

For all the computerised units in order to ensure that software and hardware equipment will allow candidates to achieve the assessment objectives, centres must ensure that assignments are worked by tutors in advance of the assessment. This **only applies** to the computerised assignments, Units C3, C4 and C5. Tutors are **not permitted** to work the manual assignments in advance of candidate assessment.

Tutors are also requested to submit printed reports of the tutor input with **each batch** of candidates' completed scripts. These are used to check that the candidates have been given a correct copy of the input at the start of the assignment, as well as informing the examiner-moderator of the VAT codes in use at the centre. In some instances where these reports have been omitted the examiner-moderator has been delayed in completing the assessment until copies have been forwarded from the centre.

Tutors should ensure that candidates enter their name or initial and surname with the company name, so that it appears on each printed report of the computerised assignments. Failure to do so can cause problems, as reports cannot always be identified as belonging to a particular candidate.

If tutor queries about assignment completion cannot be resolved by reference to FAQs available on OCR website, the Chief Co-ordinator for OCR Bookkeeping & Accounting is available to answer questions, if they are forwarded by email to vocational.qualifications@ocr.org.uk. It is requested that tutors work new computerised assignments near the start of the academic year, in order that any accounting software or criteria concerns can be dealt with well before candidates wish to complete work for assessment.

Sector Update

RESOURCES

OCR has provided many useful documents available for download from the interchange. Access the section for Bookkeeping & Accounting Skills Level 2 Certificate at http://www.ocr.org.uk/qualifications/type/qcf/acc_book/bas_man_l2_cert/ where the following documents are available:

- Centre handbook (covers all qualifications)
- Submission cover sheet
- Assessment material (download sample material)
- Support material (hints and tips, fault tolerances, marking criteria)
- Units (learning outcomes, assessment criteria and 'knowledge, understanding and skills')

SAMPLE ASSIGNMENTS

Sample Assignments for all Units are available on the Interchange (see above), but please note that these are only representative of the type of questions which may be included in each assignment. Candidates should not expect all assignments to follow the sample assignments exactly, as the criteria to be assessed in each unit may be tested using a variety of procedures. Reference to the Unit Document, which lists the full Learning Outcomes, Assessment Criteria and Knowledge, Understanding and Skills necessary for the accurate completion of all Units, should be the basis for the delivery of the QCF qualifications.

With the latest changes in settlement discount and the new VAT rules it is advisable for tutors to make students aware of the changes and how to account for them as this will be covered in unit M6.

Further information

More information on QCF is available. The following websites are particularly useful:

www.ocr.org.uk/qualifications/type/qcf/index.aspx

<http://register.ofqual.gov.uk/>

www.ofqual.gov.uk

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