

**Accounting**

Advanced GCE A2 H411

Advanced Subsidiary GCE AS H011

**Examiners' Reports**

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**June 2011**

**H011/H411/R/11**

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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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Advanced GCE Accounting (H411)

Advanced Subsidiary GCE Accounting (H011)

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## **Chief Examiner's Report**

Standards varied with a wide range of marks achieved on each unit. Most candidates were able to complete the papers in the allocated times, although time management was an issue for some candidates on unit F014.

Some candidates were unable to deal with the relationship between mark-up and margin, and this led to incorrect answers being presented. Marks were also lost by some candidates not showing calculations to in order support an incorrect final value; for example, in their final accounts in unit F013.

Responses to narrative sections of the questions were varied. Frequently responses were limited and candidates would improve their grade with extended development and improved evaluation. Some candidates responded to questions they would have liked to have been asked, rather than the actual questions asked. Frequently, if in doubt, candidates responded by demonstrating their knowledge of accounting concepts, regardless of the question asked.

The examination may assess any part of the specification and candidates would be well advised to revise the specification and not omit sections. There was evidence that cash books and overhead absorption were topics for which some candidates had not prepared.

Finally, quality of written communication marks are built into the mark schemes and some candidates did not gain marks due to their poor presentation of accounting statements. Presentation would be improved for some candidates with responses which are to good accounting format and through the use of a ruler.

## **F011: Accounting principles**

### **General Comments**

Overall many candidates demonstrated a good level of competence on this paper.

Particularly encouraging was the good standard achieved by many candidates when answering question 2(a) – ledger accounts.

Many candidates did not seem to have any knowledge of the two-column cash book.

The candidates demonstrated a wide range of ability when written answers were required.

### **Comments on Individual Questions**

1 (a): Many candidates produced good answers to this part of the question. Some had a neat and correct presentation, but other responses were poorly laid out and untidy with some sub-totals and totals omitted.

Common problems were:

Trading Account:- Misplacing closing stock before the adjustments.

Profit & Loss Account:- Incorrect calculation of provision for doubtful debts. Misclassification of the painting charge as a revenue expense leading to incorrect entries for general expenses and the provision for depreciation of motor vehicles.

Balance Sheet:-Incorrect calculation of motor vehicles and debtors. A common error was to place the loan under Long Term Liabilities.

1 (b): Quite a few candidates had no idea as to the meaning of capital expenditure, believing it to be owner's capital. Stronger candidates were able to clearly explain the implications of a distinction between capital expenditure and revenue expenditure though many candidates gave answers which were too imprecise to demonstrate clear understanding.

2 (a) (i),(ii),(iii),(iv):These parts of the question were often well answered. The most common problems were placing the opening balances on the wrong side, incorrect narratives, 'total boxes' omitted and, occasionally, the complete transposition of debits and credits.

2 (b):There were some correct answers to this part of the question but many candidates demonstrated no knowledge of the two-column cash book and consequently gained no marks.

2 (c): A very wide range of ability was demonstrated on this part of the question. Strong candidates were able to identify and explain the accruals/matching concept and were then able to discuss its implications for the final accounts; however, many candidates offered general, unclear or imprecise statements demonstrating a lack of clear understanding. A commonplace error was to only identify prepayments as current assets and accruals as current liabilities, thereby failing to address the treatment of accrued and prepaid income in the balance sheet.

## F012: Accounting applications

### General Comments

There were a wide range of results in the examination and a small number of well-prepared candidates were able to gain almost full marks. Generally, however, most candidates gained the highest marks on the budget question. 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. Most 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 that accounts are ruled off.

There was a significant minority of candidates who appeared not to be prepared for the examination and who found it difficult to achieve more than a few marks.

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.

### Comments on Individual Questions

- 1 (a) Few candidates obtained full marks on this part of the question, as a number of candidates found the calculations for sections (ii) and (vii) challenging. This part of the question provided differentiation amongst the candidates.
- 1 (b) Most candidates were able to gain marks when explaining the correct treatment of item (v), but a number failed to gain any marks on the correct treatment of (viii), and they did not relate their answer to the year ended 30 April 2011 as required.
- 2 (a) On the whole this part of the question was well answered, with many candidates able to gain quite high marks. The most common errors included failing to make four entries for the discounts, and in errors in relation to sections (vii) and (viii) using incorrect figures as the candidates had failed to double the figures.
- 2 (b) Most candidates achieved some marks on this part of the question; however, common errors included putting the balance b/d on the wrong side or using c/d instead of b/d or totally omitting the balance.
- 2 (c) Candidates generally achieved good marks on this part of the question, although a number failed to read the question and did not use examples from the question as requested.
- 3 (a) Many candidates made a reasonable attempt at this part of the question, although a number failed to include the bar staff salaries.
- 3 (b) The majority of 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 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 numerous times on previous papers and to be awarded marks candidates must calculate the profit. Other common errors included the omission of the bad debts and the incorrect calculation of the provision

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for depreciation of fixtures and fittings. Common errors on the balance sheet included errors on the accruals and prepayments in the current assets and current liabilities.

Quality of written communication marks were often not accessed by candidates through poor presentation, heading and/or layout.

- 3 (c) Most candidates were able to gain some marks on this part of the question, with quite a few obtaining full marks.
- 4 (a) This part of the question was very well done by most candidate with many achieving 19 out of the 22 marks available. The most common error was the entry for rent which was quarterly in advance.
- 4 (b) Generally, most candidates achieved good marks on this part of the question.

## F013: Company accounts and interpretation

### General Comments

Many candidates were well prepared for this examination and high ability candidates performed well on all elements within the question paper. A number of candidates, however, had not prepared for the examination and their presentation was weak. Some candidates failed to show their workings within their answers, especially in relation to question 1.

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

### Comments on Individual Questions

- 1 This question was not as well answered as in previous examination sessions although high ability candidates did achieve high marks. Workings for the distribution costs and the administrative expenses were not shown by a significant number of weaker candidates. Many candidates failed to make the correct adjustment of £7 775 for the provision for doubtful debts in the administrative expenses. Weaker candidates also failed to include the other income of £30 000 and interest payable of £2 880. Many candidates did not show the correct ordinary dividends of £525 000 and many also did not include the preference dividends of £32 000. A majority of candidates failed to show the correct adjustments for debtors and creditors in the balance sheet and the revaluation of £150 000 was often not included in the reserves section of the balance sheet.
- 2 (a) This part of the question was generally well answered by most candidates, although the vast majority of them failed to calculate the correct depreciation on the delivery vehicles. Candidates failed to note that the delivery vehicles were depreciated for each month of use in the business.
- 2 (b) (i) This part of the question was not well answered with the majority of candidates unable to state that research is original and planned to help a business to acquire new knowledge. Many candidates were able to state that development involves planning a new product.
- 2 (b) (ii) Well prepared candidates gained good marks on this part of the question and were able to state the correct accounting treatment for revenue expenditure on research and why development costs can be shown on the balance sheet. A significant number of candidates were not prepared for a narrative question on research and development.
- 3 (a) (i) This part of the question was well answered.
- 3 (a) (ii) This part of the question was well answered.
- 3 (a) (iii) This part of the question was well answered.
- 3 (b) (i) This part of the question was very well answered by candidates with reference to profits, cash position and expected return in the form of dividends
- 3 (b) (ii) This part of the question was very well answered by candidates with reference to liquidity, profits and job security
- 3 (b) (iii) This part of the question was also very well answered by candidates with reference to liquidity, gearing and the ability to repay loans and interest.

## F014: Management accounting

### General Comments

Standards varied and whilst there were some excellent scripts, others were poor. Some candidates did not attempt the overhead absorption question and frequently of those who did, few gained high marks. For some candidates there were gaps in responses throughout the paper and whilst it is possible that time management was an issue, it also appeared that there was a lack of adequate preparation in relation to some parts of the specification.

### Comments on Individual Questions

- 1 (a) Most candidates correctly calculated profit, contribution and break-even in units; some, however, did not calculate the break-even sales value.
- (b) Many candidates demonstrated a good understanding of the contribution concept, although others failed to use the contribution approach and presentation was poor with a significant number of arithmetical errors. Some candidates did not apply the correct fixed cost adjustment in the options.
- (c) Many candidates correctly calculated the sales quantity in order to achieve the required profit level.
- (d) Whilst many candidates were well aware of the implications for the company, some responded with implications for employees and the local community.
- (e) Frequently candidates did not attempt this part of the question; and many of those who did attempt an answer, responded with accounting concepts rather than applications of marginal costing.
- 2 (a) Some candidates did not attempt this part of the question and many of those who did calculated labour rates rather than overhead absorption rates.
- (b) Again there were candidates who did not attempt this part of the question. For those who did respond, many gained marks for material and labour costs in order to arrive at prime cost. When shown, the administration expenses were usually correctly applied to own figure calculations.
- (c) For those candidates attempting this part of the question, the 10% net profit margin was frequently calculated on cost price rather than on selling price.
- (d) More candidates attempted this part of the question and most were able to put forward some valid reasons for the use of the labour hour rate.
- (e) There were mixed responses from the candidates who attempted this part of the question. Whilst many were able to state alternative methods, frequently they described how the method was calculated, rather than its appropriateness. Some candidates responded with the basis for reapportionment of overheads.
- 3 (a) Many candidates correctly calculated the net cash flows, although some included depreciation in error. Few candidates calculated the correct payback; however, the use of discount factors was well understood.

- (b) There were many good responses on the benefits and limitations of capital expenditure methods. Some candidates focussed on how the methods were calculated, rather than answering the question. Quality of written communication marks were awarded to candidates presenting answers in a clear and fluent style with good spelling, punctuation and grammar.
  - (c) Most candidates were able to put forward valid reasons to justify a recommendation when responding to this part of the question.
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- (a) Frequently, candidates omitted the receipts from debtors for May as shown in the balance sheet. Few candidates correctly calculated purchase payments and frequently mixed up the month of payment.
  - (b) There were very few completely correct answers for the budgeted final accounts. The loss on sale was frequently omitted and expenses entered for one month only. Some candidates entered depreciation for the full year rather than for the budgeted period only. Most candidates gained some marks for the top half of the balance sheet; however, many omitted to add profit in the bottom half. Quality of written communication marks were awarded to candidates presenting answers to good accounting format, including appropriate use of columns and sub totals.
  - (c) Although some candidates did not attempt this part of the question, those who did usually demonstrated a good understanding of the implications for managers.

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