

## **Examiners' Reports**

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**January 2011**

**H011/H411/R/11J**

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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)**

## EXAMINERS' REPORTS

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## **Chief Examiner's Report**

Standards varied with a wide range of marks achieved in each unit. Most candidates were able to complete the papers in the allocated times. A lack of completion, where it occurred, appeared to be due to a lack of knowledge and ability, rather than time.

Frequently questions require calculations for part of a period, for example, depreciation. Some candidates were unable to calculate for different periods of a year. It is also important that candidates show their calculations in the answer book and gain some marks, even though the final 'answer' may be incorrect.

Responses to narrative sections of questions were varied. Frequently responses were limited and candidates would improve their grading with greater development and evaluation. Some candidates responded to questions which they would have liked to have been asked, rather than the actual questions asked.

Finally, while presentation was to a good standard for many candidates, others were unable to present to good accounting format. The use of a ruler would also improve presentation for some candidates.

## F011: Accounting principles

### General Comments

Overall many candidates demonstrated a reasonable level of competence with this paper, in particular with respect to the Trading and Profit and Loss Account. More difficulty was experienced with the Balance Sheet, ledger accounts and questions requiring written solutions.

### Comments on Individual Questions

1 Many candidates produced good answers with neat and correct presentation.

Common problems were:

Profit & Loss Account:-

Commission payable treated as Commission received and included in non-trading income. There was often incorrect calculation of loan interest, provision for depreciation of fixtures and fittings and the provision for doubtful debts.

Balance Sheet:-

There was incorrect calculation of fixtures and fittings, debtors and loan interest. A common error was to place the bank figure under Current Assets rather than under Current Liabilities and also to omit the loan interest completely.

**2 (a) (i)** This part of the question was generally well answered but some candidates headed the credit entry as Profit and Loss instead of Bad Debts.

**2 (a) (ii)** This part of the question was generally correctly answered.

**2 (a) (iii)** This part of the question was generally well answered. The most common error was to record Sam West as £700 rather than £850.

**2 (a) (iv)** Most candidates entered the correct Bal b/d figure but fewer calculated the Bal c/d correctly.

**2 (b)** Most candidates gained a mark for the bad debt entry but some candidates failed to indicate that the provision for doubtful debts entry should appear as non-trading income and bad debts as an expense.

**2 (c)** There were some correct answers to this part of the question but some candidates failed to indicate that the entries would appear under Current Assets.

**2 (d)** Nearly all candidates correctly identified the prudence concept correctly and provided reasonable explanations. Far fewer candidates identified the accruals/ matching concept and those who did were often unable to explain its significance with respect to accounting for doubtful debts. A number of candidates referred to the consistency concept but few mentioned that in certain circumstances the basis of provision could be altered.

**2 (e)** There were some very good answers to this part of the question which focused on the overall inadequacy of the provision made and proposed. Weaker candidates often provided too simplistic an answer commenting on the relative ease of calculating a single general provision. It was apparent that some candidates had misunderstood the purpose behind the setting of a provision. Many candidates assumed that changing the provision would automatically impact on debtors' willingness to pay earlier or later and so have a direct effect on bad debts merely by changing the write off and provision policy. Many candidates could not calculate the planned 5% provision correctly. Quality of written communication marks were awarded to candidates presenting answers in a clear and fluent style with good spelling, punctuation and grammar.

**2 (f)** Many candidates gained full marks on this part of the question.

## F012: Accounting applications

### General Comments

The cohort for this examination was mainly re-sit 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. 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.

Some candidates found Question 3 challenging as this is the first time this aspect of the specification has been assessed. Candidates should, therefore, ensure that they prepare for all aspects of the specification. 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.

### Comments on Individual Questions

**1** Few candidates were able to produce a completely accurate set of final accounts. However, many candidates were still able to gain high marks. A number of candidates failed to correctly calculate the sales and purchases figures, and marks were awarded where workings were shown. A number of candidates are still failing to show workings and, therefore, losing valuable marks. The majority of candidates were able to correctly calculate most of the expenses, but problems occurred calculating the loan interest as a number of candidates failed to recognise that this was not for a full year.

The Balance Sheet was quite well completed by many candidates; however, difficulties occurred when calculating the closing bank balance and also in the calculation of the closing capital figure.

Quality of written communication marks were awarded to candidates presenting answers in good accounting format, including appropriate use of columns and sub-totals.

**2 (a)** In general candidates prepared the appropriation account in good accounting format and many achieved full marks on this part of the question. Some candidates, however, incorrectly calculated the interest on drawings, failing to take account of the part year calculation.

**2 (b)** The current account was well prepared with many candidates achieving full marks. A few candidates, unfortunately, omitted the share of profits or reversed the entries.

**2 (c)** The capital accounts were generally well completed; however, a number of candidates failed to make the correct entries for goodwill and a surprising number failed to include the revaluation of fixed assets. Candidates should also ensure that they take care to use the correct narratives.

**2 (d)** Many candidates were able to provide reasons for the admission of a new partner and were able to develop their answers well. However, some candidates failed to develop their reasons, and this, therefore, restricted the number of marks which could be awarded. Quality of written communication marks were awarded to candidates presenting answers in a clear and fluent style with good spelling, punctuation and grammar.

**3 (a) (i)** Most candidates were able to complete the journal entries for the purchase of a motor vehicle.

**3 (a) (ii)** A large number of candidates were unable to correctly answer this part of the question. Many were unable to correctly calculate the depreciation, and many had little or no knowledge of what account should be debited and what account should be credited.

**3 (b) (i)** Many candidates were able to correctly complete the journal for the purchase of machinery, although a number of candidates failed to identify that the purchase was on credit.

**4 (a)(ii)** The journal entries for the disposal of machinery proved very challenging for the majority of candidates and many demonstrated little or no knowledge of the journal entries required. A number of candidates were, however, able to achieve full marks.

**4 (b)(ii)** A large number of candidates were unable to correctly answer this part of the question. Many were unable to correctly calculate the depreciation, and many had little or no knowledge of what account should be debited and what account should be credited.

**4 (c)** This part of the question was not well completed. A large number of candidates had little or no knowledge of the purpose of the journal, and many explained the purpose of a control account instead.

## F013: Company accounts and interpretation

### General Comments

The standard of response was good from the majority of candidates and well prepared candidates performed well on all sections of the paper.

Weaker candidates had not prepared for the examination. Many weaker candidates had not prepared for the narrative questions and their responses were very weak

Presentation was good with the majority of candidates showing clear workings and well presented answers, although weaker candidates did not show clear workings for Question 1

There was no evidence that candidates had been short of time in the examination.

### Comments on Individual Questions

**1** There were many correct answers from high ability candidates, although weaker candidates did not perform well. An incorrect dividends figure was used by many candidates to calculate the net profit and many candidates failed to calculate the depreciation of £195,000 for the net cash flow from operating activities. Many candidates failed to calculate the purchase of fixed assets of £665,000 in the Cash Flow Statement and also showed the loss on sale of £15,700 in the Cash Flow Statement and not in the calculation of net cash flow from operating activities. The issue of share capital in the financing section of the Balance Sheet was frequently showed as £200,000 and not as £300,000. Quality of written communication marks were awarded to candidates presenting answers to good accounting format, including appropriate use of columns and sub-totals.

Presentation was generally very good, although a number of candidates are still not showing clear workings.

**2 (a) (i)** There were many answers where candidates did not use the correct capital of £497,500, because the debenture of £300,000 was not included.

**2 (a) (ii)** An incorrect capital figure of £197,500 was shown by many candidates.

**2 (a) (iii)** This part of the question was very well answered.

**2 (a) (iv)** This part of the question was well answered.

**2 (a) (v)** This part of the question was well answered.

**2 (b)** High ability candidates gained high marks on this part of the question with clear reference to the limitations of ratios such as comparison with other firms, use of different accounting methods, historic cost data and non-financial factors. A significant number of candidates, however, made no reference to the limitations and stated what the ratios showed about the financial position of Bolt plc. Quality of written communication marks were awarded to candidates presenting answers in a clear and fluent style with good spelling, punctuation and grammar.

**2 (c)** This part of the question was not well answered with many candidates failing to recognise that it would reduce the gearing position because the debenture debt would be reduced by £80,000. Weaker candidates stated that it would reduce the fixed assets, but with no mention of the gearing position.

**3 (a) (i)** This part of the question was very well answered with many candidates achieving full marks, although some weaker candidates reversed the entries.

**3 (a) (ii)** This part of the question was very well answered, although some weaker candidates reversing entries.

**3 (a) (iii)** This part of the question was well answered, although a proportion of candidates did not show the correct opening balance of £450,000.

**3 (b)** This part of the question was not well answered with a high proportion of candidates not prepared for this type of question and gaining no marks. Well prepared candidates gained full marks with a clear explanation of cumulative, non-cumulative and participating preference shares.

**3 (c)** This part of the question was generally well answered with clear reference to dividends and the preference shareholders having priority over the ordinary shareholders.

## F014: Management accounting

### General Comments

Nearly all centres enter candidates for this examination in the summer series, therefore, the comments relate to a relatively low entry. Standards varied from excellent to very poor, and it was pleasing to note the quality of work from some candidates. Most candidates completed the paper in the allocated time.

### Comments on Individual Questions

**1 (a)** Most candidates calculated the contribution per unit for each product and many correctly related this to the limiting factor. Frequently the correct maximum profit was calculated by the candidates adopting the limiting factor approach. Some candidates, however, prioritised on the basis of contribution per unit only.

**1 (b)** Many candidates correctly applied the pay rise and calculated the revised contribution. Subsequently, there were many correct profit calculations. Some candidates did make arithmetic errors.

**1 (c)** Frequently candidates repeated information given in the question, rather than evaluate the options. In some cases there was repetition of points. Quality of written communication marks were awarded to candidates presenting answers in a clear and fluent style with good spelling, punctuation and grammar.

**2 (a)** Most candidates correctly entered the costs incurred during the second year of the contract; however, many reversed the opening balances. Many candidates correctly applied the 10% retention to the cash received in order to arrive at the value for work certified. There were few completely correct answers.

**2 (b)** Most candidates were aware of the correct treatment of a loss and many related to the prudence concept.

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

**3 (a)** Whilst most candidates presented the correct actual cost for the full production, many presented the standard cost for one batch only. The standard cost and actual cost per unit were correct for many candidates.

**3 (b)** There were mixed responses for the calculation of variances and those candidates who applied the correct formulae were usually able to gain the maximum marks for each variance. Frequently, however, candidates did not apply the correct formulae and were not awarded any marks.

**3 (c)** There were many general responses on reasons for variances rather than specific responses for wood and paint.

**3 (d)** Many candidates were aware of the benefits of a standard costing system and frequently mentioned the opportunity for management by exception when investigating variances.

**4 (a)** Many candidates correctly dealt with fixed costs under marginal costing and absorption costing. Likewise, the closing stock was frequently correctly calculated as was gross profit. In some cases layout was poor and not to good accounting format. Quality of written communication marks were awarded to candidates presenting answers to good accounting format, including appropriate use of columns and sub totals.

**4 (b)** Frequently candidates responded with a comparison of marginal costing and absorption costing and their application to final accounts. Those who responded to the actual question often noted the consistent production and lower level of sales resulting in an increase in closing stock.

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