

# **Accounting**

Advanced GCE A2 H411

Advanced Subsidiary GCE AS H011

## **Reports on the Units**

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**January 2010**

**H011/H411/MS/R/10**

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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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## **Chief Examiner's Report**

This was the first series of the new specification when all units were available for examination. The examiners were encouraged by the response given to the new specification and standards varied with some excellent scripts presented. Most candidates were able to complete the papers in the allocated times. Lack of completion, where it occurred, appeared to be due to a lack of knowledge and ability, rather than time.

At AS level, entries for unit F011 were from candidates entering for the first time coupled with some re-sit candidates; whilst for unit F012 entries were from re-sit candidates. At A2 level most Centres entered candidates for unit F013, with few candidates entered for unit F014. It is expected that the main entry for unit F014 will be in the summer series.

Some candidates were unable to deal with the relationship between mark-up and margin, and this led to incorrect answers being presented. Marks were lost by some candidates for not presenting answers to the decimal point requirements of a question.

Responses to narrative sections of questions were varied. Frequently responses were limited and candidates would improve performance with greater development and evaluation. Some candidates responded to questions they would have liked to have seen 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

An increasing number of candidates seemed to be well prepared for this paper. There were many fair to good answers on the final accounts question (Question 1), as is often the case, but it was pleasing to see that an increasing number of candidates were achieving success with their treatment of accruals and prepayments within the ledger accounts.

## Comments on Individual Questions

1) Many candidates produced good answers with good presentation to this question.

Common problems were:

Profit and Loss Account:

- miscalculation or omission of the provision for doubtful debts.
- omission of the accrual for loan interest.

Balance Sheet:

- Incorrect calculation of the net debtors.
- treating the cheque for commission received as an accrual, rather than including it in the bank total.
- omission of loan interest.

2a) Again there were some good answers to all parts of this question. Some candidates entered debit entries as credits and vice versa and sometimes an incorrect narrative was used.

2b) A number of candidates had difficulty with this part of the question and some failed to clearly indicate which items were a current asset and which a current liability.

2c) Most candidates calculated the cash discount in part c(ii) incorrectly, applying it to the list price rather than to the trade price.

2d) Most candidates answered this correctly.

2e) Few candidates managed to gain high marks for this question. Many answers were too generalised or purely descriptive whereas the question asks for evaluation. Candidates often failed to mention the importance of producing a trial balance as a means of error detection for the double entry system prior to producing the final accounts. Only a few candidates referred to the Dual Aspect concept.

## F012 Accounting Applications

### General Comments

Candidates sitting this paper were almost exclusively re-sit candidates and, as such, the majority of candidates submitted papers of a high standard showing a good knowledge and understanding of the topics covered in the specification for this unit. Candidates were able to complete the paper in the allocated time. The standards achieved generally varied from average to very good, although there were a few poor papers. Candidates generally seemed well prepared for this paper.

### Comments on Individual Questions

- 1a) Many candidates were able to complete the majority of the journal entries correctly, although the discounts allowed and received error did prove challenging for some, as did the entry for the provision for depreciation. A number of candidates, when correcting the errors, are stating the account as a journal or a ledger, instead of the account name and, are therefore losing marks.
- b) Few candidates were able to produce a correct statement of revised net profit; but many were able to show a number of the adjustments. A common omission was the adjustment to purchases of £14,500.
- c) This part of question was very well answered with most candidates gaining high marks on this part.

#### 2 a) & b)

These were both well answered questions, with many candidates able to correctly show all the depreciation calculations. Errors occurred when candidates had not correctly read the requirements of the questions, and had not allowed a full year's depreciation in the year of purchase for the reducing balance method.

- c) A number of candidates were able to gain high marks on this part of the question and were able to calculate the correct net profit figure.
- 3) Many candidates completed a good set of accounts, although few were able to present a correct set of final accounts. Some candidates are still not providing correct titles, and omitting names and dates. Within the Trading section if the account some candidates failed to calculate the sales and purchases figure. Some candidates are still not showing their workings and are, therefore, losing quite a lot of marks. Most were able to correctly adjust the other income and expenses for the accruals and prepayments, and were able to correctly calculate the depreciation of equipment and motor vehicles

On the Balance Sheet almost all candidates adjusted the fixed assets for depreciation. In the current assets a few candidates failed to correctly adjust the debtors' figure for the provision for doubtful debts. Most correctly showed the prepaid expenses and accrued income. A number of candidates failed to show the bank overdraft in the current liabilities. Many candidates were not able to correctly calculate the opening capital figure.

The presentation of the above accounts was often in good format but some candidates failed to underline titles and headings.

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- 4a) Most candidates were able to produce an appropriation account in the required format, although a number of candidates deducted the interest on drawings and added the interest on capital and the salaries. Few candidates were able to correctly calculate the interest on capital for Jamie.
- b) Most candidates were able to produce a good current account, although a few candidates did reverse the entries.
- c) Many candidates were able to produce the capital accounts, although a number had difficulty showing the correct entries for goodwill.
- d) This part of the question was very well answered with many candidates gaining high marks for the advantages and disadvantages of taking on an additional partner.

## F013 Company Accounting

### General Comments

The overall standard of answers produced was very good. Many candidates were very well prepared for the examination and had clearly worked through the past legacy papers.

Presentation was generally very good with the majority of candidates showing clear workings and well presented answers.

Weaker candidates often failed to show their workings and produced poor narrative answers.

There was no evidence that candidates were short of time in the examination

### Comments on Individual Questions

- 1a) This part of the question was very well done by the majority of candidates with high ability candidates achieving a very high mark. Workings for the distribution costs and the administrative expenses were clearly listed by most candidates. Some candidates failed to make the adjustment of £900 for the provision for doubtful debts. Weaker candidates also failed to include the other income of £17 800.

Many candidates failed to include the calls not paid as an asset and showed this as a liability on the balance sheet. Weaker candidates failed to show the proposed dividends of £84 000 and the corporation tax of £70 000 as creditors falling due within one year. The revaluation of £108 000 was often not included in the reserves section of the balance sheet by the weaker candidates

- 1b) There were many good answers which stated the types of reserves. Poor answers confused the retention of profit with money or cash.
- 2 a) This part of the question was very well answered by the majority of candidates with many answers gaining full marks. A common mistake by many candidates was an incorrect depreciation on the office equipment. Candidates failed to note that some of the equipment was no longer subject to depreciation and had been written off.
- 2b) This part of the question was not as well answered, although high ability candidates gained full marks. Many candidates failed to answer the question and stated the entries to make the balance sheet balance and failed to state how it would present a true and fair view and increase the equity holder's interest by increasing reserves.
- 3a) The majority of candidates were very well prepared for a journal question and gained high marks. Many candidates failed to show the correct entries for the share premium and failed to record the correct amount of call money received. Weaker candidates showed a poor knowledge of the double entry in preparing the journals and entries were reversed. A very small number of candidates prepared ledger accounts and not journals.

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- 3b) This part of the question was generally not well answered. Candidates confused bonus and rights issues of shares and weaker candidates stated that the company would receive cash by selling the shares. Many candidates also just defined a bonus issue, rather than providing reasons why a company would issue bonus shares. Good answers stated that they could be used in place of dividends if the company had a liquidity problem and that it would dilute the share price and make the shares more attractive for investors.

# F014 Management Accounting

## General Comments

This was the first F014 Management Accounting paper for the new specification. Most candidates were able to complete the paper in the allotted time. Lack of completion, where it occurred, appeared to be due to lack of knowledge and ability, rather than time.

## Comments on Individual Questions

- 1a) Most candidates correctly entered the direct entries. Few candidates applied the correct depreciation for the plant transfer, frequently not calculating for the four month period. Few candidates were able to correctly relate the cash received to the work certified. Most candidates entered the correct balances brought down for the direct entries.

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

- 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.
- c) There were many detailed responses relating to the benefits to the local economy, including employment of local labour and an increase in spending power.
- 2a) Many candidates calculated closing stock for 2009 only, with no response for the previous years.
- b) Most candidates correctly calculated the purchases for each year. However, few were able to correctly apply the sales margin to arrive at sales for each year.
- c) Most candidates correctly related to SSAP 9 and commented that the use of the higher selling price would overstate profit and overstate the net value of the business.
- 3 a) Whilst many candidates correctly calculated the current factory overhead rate, few were able to apply it to arrive at a selling price. Frequently, candidates were not able to apply the 25% net profit margin.
- b) Many candidates were able to correctly calculate the overhead rates for each department.
- c) Few candidates were able to correctly apply the department rates to calculate the selling price for the job.
- d) Many candidates provided detailed responses to the problems associated with using pre-determined overhead absorption rates. Frequently, candidates referred to the use of estimated data which could be inaccurate and, therefore, leading to under/over absorption. The impact on profit was frequently noted.
- 4a) Whilst many candidates correctly calculated the cash flows, some did not express answers for payback to one decimal place. Frequently, candidates omitted the residual value for product X when calculating the net present value. Most candidates demonstrated a good understanding of the application of discount factors. Some candidates did not use average net profit when calculating the accounting rate of return and some answers, where appropriate, were not to one decimal place.

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- b) Frequently candidates responded with an evaluation of the results, rather than follow the question requirement for an evaluation of the methods.

Quality of written communication marks were awarded to candidates presenting answers in a clear and fluent style with good spelling, punctuation and grammar.

- c) Whilst many candidates correctly responded that the market research was a sunk cost and should be ignored, others stated that it should be included as part of the capital expenditure costs.

# Grade Thresholds

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January 2010 Examination Series

## Unit Threshold Marks

| Unit |     | Maximum Mark | A   | B  | C  | D  | E  | U |
|------|-----|--------------|-----|----|----|----|----|---|
| F011 | Raw | 80           | 69  | 62 | 55 | 48 | 41 | 0 |
|      | UMS | 80           | 64  | 56 | 48 | 40 | 32 | 0 |
| F012 | Raw | 120          | 96  | 86 | 76 | 67 | 58 | 0 |
|      | UMS | 120          | 96  | 84 | 72 | 60 | 48 | 0 |
| F013 | Raw | 80           | 71  | 63 | 55 | 48 | 41 | 0 |
|      | UMS | 80           | 64  | 56 | 48 | 40 | 32 | 0 |
| F014 | Raw | 120          | 102 | 89 | 77 | 65 | 53 | 0 |
|      | UMS | 120          | 96  | 84 | 72 | 60 | 48 | 0 |

## Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

|      | Maximum Mark | A   | B   | C   | D   | E  | U |
|------|--------------|-----|-----|-----|-----|----|---|
| H011 | 200          | 160 | 140 | 120 | 100 | 80 | 0 |

The cumulative percentage of candidates awarded each grade was as follows:

|      | A    | B    | C    | D    | E    | U      | Total Number of Candidates |
|------|------|------|------|------|------|--------|----------------------------|
| H011 | 12.0 | 36.7 | 61.3 | 78.0 | 92.7 | 100.00 | 177                        |

For a description of how UMS marks are calculated see:

<http://www.ocr.org.uk/learners/ums/index.html>

Statistics are correct at the time of publication.

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