

# **Accounting**

Advanced GCE A2 H401

Advanced Subsidiary GCE AS H001

## **Reports on the Units**

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**January 2008**

**H001/H401/MS/R/08J**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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## CONTENTS

**Advanced GCE Accounting (H401)**

**Advanced Subsidiary GCE Accounting (H001)**

### REPORTS ON THE UNITS

<b>Unit/Content</b>	<b>Page</b>
Chief Examiner's Report	1
Unit 1 – Accounting Principles	2
Unit 2 – Financial Accounting	4
Unit 3 – Management Accounting	5
Unit 4 – Company Accounts and Interpretation	6
Grade Thresholds	8

## **Chief Examiner's Report**

This was the first series for the new specification where all units were examined. Examiners were particularly encouraged by the increase in entries for unit F001, with many candidates sitting the examination for the first time. The specification content makes this unit accessible for a January entry in the first year of study. Many second year candidates entered unit F004.

Most candidates were able to complete the papers in the allocated times. Lack of completion, where it occurred, appeared to be due to lack of knowledge and ability, rather than time.

The specification necessitates an understanding of double entry principles. It was, therefore, a concern that some candidates did not demonstrate an understanding of such principles. Ledger layout was sometimes to poor format, particularly narration of entries, balancing and ruling off.

Whilst some candidates presented well developed answers to narrative questions, others responded with narrative answers to questions that they would have liked to have been asked, rather than responding to the actual question asked. For example, where a question required a response on standard costing, some candidates responded with marginal costing.

Finally, while most candidates presented complete answers in a logical sequence, some candidates spread their answers throughout their answer books. For example, the answer to Question 1(c), presented in the middle of their answer to Question 2. Errors are less likely to occur if an answer to a question is presented on continuous pages.

# Unit 1 – Accounting Principles

## General Comments

The standards achieved covered a wide range of marks from excellent to very poor, but it was pleasing to see the quality of work from some candidates, it was also evident that others had been entered prematurely for the examination. Most candidates completed the paper in the allocated time. While some candidates presented their answers in good accounting format and gained marks for quality of written communication, others were untidy with poor presentation and accounts were often not ruled of and/or lacked the use of a ruler.

## Comments on Individual Questions

- 1 (a) Few candidates presented a completely correct set of accounts, although many gained high marks. Within the Trading section, some candidates deducted the carriage inwards rather than adding it; stocks and purchases were usually entered correctly. Within the Profit and Loss Account many candidates were able to correctly adjust the expenses for accruals and prepayments; although, a few candidates did treat the rent as rent received rather than rent paid. The most common errors were the calculation of loan interest; calculating the correct entry for the provision for doubtful debts; many candidates entered the full provision rather than the change in the provision. Candidates also struggled in the calculation of the provision for depreciation for shop fittings, failing to adjust their calculations for the item of shop fittings which was purchased in the current year.

The Balance Sheet was generally well laid out by most candidates, but attention should be paid to the use of a ruler and presenting tidy work. Most candidates were able to adjust for the accumulated depreciation in the fixed assets. Prepaid and accrued expenses were usually correctly entered, but the bank entry was often shown as a current asset rather than a current liability and many candidates showed the loan in long term liabilities rather than in current liabilities. Most candidates were also able to correctly adjust the drawings figure.

- 2 (a) Most candidates correctly calculated the provision for doubtful debts for 2006; however, few were able to correctly calculate the provision for 2007. Many failed to incorporate the specific provision in their final calculations or incorrectly calculated the adjustments to the debtors.
- (b) The presentation of the ledger accounts varied from excellent to very poor, with some candidates failing to enter the appropriate narrative, whilst others reversed the entries in the provision for doubtful debts account or showed incorrect transfers to the Profit and Loss Account. The bad debts account was generally well prepared, with many candidates gaining full marks. However some candidates were unable to calculate the entry for S. Tapler as they incorrectly interpreted the amount received as £0.40 rather than £0.40 in the pound.
- (c) Most candidates were able to gain marks here for the transfer of their own figures to the Profit and Loss Account.
- (d) Again many candidates gained own figure marks in this part of the question, but few were able to correctly calculate the correct figure for debtors.

*Report on the units taken in January 2008*

- (e) Most candidates were able to gain marks for the explanation of why a business would create a provision for doubtful debts.
  - (f) Few candidates gained full marks on this section as many identified the factors, but failed to develop their answers, whilst others explained the methods of calculating the provision for doubtful debts rather than the factors which should be used in determining the provision for doubtful debts. A surprising number of candidates explained the methods of depreciation, these candidates had obviously failed to read the question,
- 3**
- (a) This part of the question was generally well answered with most candidates able to identify and explain the concepts required in (i) and (ii), although the identification and explanation of the concepts in (iii) and (iv) did prove more problematic. Some candidates failed to develop their answers sufficiently to gain full marks.
  - (b) The rent account and general expense account were generally well prepared; common errors, however, included the use of incorrect narrative or the incorrect transfer to the Profit and Loss Account.

## Unit 2 – Financial Accounting

### General Comments

Candidates demonstrated a very wide range of ability. Those who were well prepared were able to secure satisfactory results. Most candidates were able to attempt all three questions in the time allotted.

### Question No

- 1
- (a) Most candidates were able to attempt the Journal. The correct format was widely used, although some candidates stated the credit entry before the debit entry. Errors (v) and (vi) posed the biggest problems for candidates. Very few candidates were aware of the adjustment to purchases in error (ii) - the majority suggested stock, the business or drawings.
  - (b) Most candidates were able to construct the suspense account. However, many candidates transferred the incorrect narratives from part (a).
  - (c) Generally well attempted but there were few completely correct solutions. Candidates tended to realise that they needed to adjust the profit given by adding and subtracting the relevant errors in the question.
  - (d) This proved a challenge for all but the very best candidates. Many candidates only scored one mark for transferring net profit. Very few candidates were able to make the correct adjustments and several included cash as a current liability.
  - (e) Generally well answered. Most candidates could either name or describe a relevant error.
- 2
- (a) On the whole candidates were able to complete this part of the question the question as far as net profit. However, many candidates incorrectly calculated interest on capital and/or subtracted interest on drawings which resulted in an incorrect calculation of profit share.
  - (b) Most candidates were able to attempt this part of the question.
  - (c) (i) Generally well answered. The main error occurred when candidates thought that consultancy fees were expenses.  
(ii) A number of candidates had difficulty correctly explaining the impact on cash flow.
- 3
- (a) Candidates demonstrated a wide range of ability on this part of the question. Weaker candidates were only obtained marks for the two stock figures and the *own figure* for net profit. A large proportion of candidates correctly calculated the business expenses but many candidates were not able to calculate the cost of sales and, therefore, purchases.
  - (b) Many candidates knew the correct formula and were able to select the correct numbers from part (a).
  - (c) Generally well answered.  
Where necessary, please continue the Report on separate sheets of paper.

## Unit 3 – Management Accounting

### General Comments

Most candidates were able to complete the paper in the allocated time. For those candidates not completing the paper, lack of knowledge rather than time appeared to be the reason. The entry number was relatively low and there were few outstanding scripts.

### Comments on Individual Questions

- 1
  - (a) Most candidates were correctly able to re-apportion overheads to each department. Some, however, did not state the basis for apportionment. Some candidates did not re-apportion service department overheads to production departments in the correct order, where the need was for re-apportioning the department servicing the greater number of departments first. Some candidates did not divide the production department total overheads by budgeted data for time based methods.
  - (b) Few candidates correctly calculated the over or under absorption of overheads. Frequently the actual results for the period were not used and many candidates did not correctly calculate absorbed overhead based on actual hours multiplied by calculated overhead rates. Explanations on the significance of the results were usually limited with few candidates relating actual hours worked to budgeted hours and the actual overhead being different to budgeted overhead.
  - (c) Frequently candidates made reference to estimated data which could be inaccurate leading to over or under absorption of overhead. Few, however, related to the impact on profit.
- 2
  - (a) This section was well answered by many candidates. Most candidates correctly calculated contribution per flight, profit and break-even for the current operation. Some candidates expressed margin of safety as a percentage rather than in flight numbers.
  - (b) Most candidates correctly calculated the contribution for each additional airport; however, some incorrectly included the negative contribution for Cosley in calculating maximum profit and the number of flights.
  - (c) Many candidates contrasted the profit under different options and the need to consider the long term view. Frequently the negative contribution of Cosley was commented upon. Some candidates made reference to social factors and the influence of global warming.
- 3
  - (a) Material, labour and sales variances were correctly calculated by many candidates. Some, however, did not state whether the variance was adverse or favourable. Frequently candidates used the standard quantity of units rather than the actual quantity of units in calculating the overhead variances.
  - (b) Some candidates responded with general explanations for variances rather than specifically relating to the variances calculated.
  - (c) Whilst there were some well developed responses on the benefits and limitations of a standard costing system, frequently, candidates related to budgetary control systems and marginal costing.

## Unit 4 – Company Accounts and Interpretation

### General Comments

Overall, the performance on the paper was good, although some candidates were not prepared for question two and question three. Well prepared candidates gained high marks on all three questions.

Work was generally well presented, although some candidates are still not showing clear workings and are not using a ruler to underline accounts.

Weaker candidates performed poorly on the narrative questions and failed to calculate the ratios in question three. Weaker candidates are not reading the question.

The majority of candidates completed all three questions and there was no evidence that candidates could not complete the paper within the time allowed.

### Comments on Individual Questions

#### Question No

- 1 (a) Generally very well answered with many candidates achieving high marks. Clear workings were shown for the distribution costs and the administrative expenses. A number of candidates showed the incorrect treatment of discount allowed and discount received in the calculation for administrative expenses. Weaker candidates failed to show the correct figure of £41 200 as other income and did not show the dividends and transfer to reserves as an appropriation of profit. A few candidates did not prepare the Profit and Loss Account in format layout and produced an answer using an internal layout.

Many candidates failed to show the calls not paid of £8 000 on the Balance Sheet. Weaker candidates did not include the commission owing of £1 200 as a current asset in the Balance Sheet. The Balance Sheet was well prepared by the majority of candidates and presented in the correct format.

- (b) (i) Answers were mixed with many candidates not stating that the share premium is a capital reserve and that the general reserve is a revenue reserve. Weaker candidates failed to state that the share premium is the difference between the nominal value and the issue price of the share.
- (ii) High ability candidates gained full marks. Weaker candidates did not state that the balance on the share premium account could be used for an issue of bonus shares.
- 2 (a) High ability candidates gained high marks for the preparation of the ledger accounts. This part of the question was not very well answered by many candidates. Some candidates were not prepared for this type of question and reversed the entries in the accounts or did not even attempt the ledger entries. Weaker candidates failed to transfer the correct amounts of share premium (£30 000) and ordinary share capital (£60 000). A few candidates were not using the correct description in the accounts. Some candidates were using the abbreviation of 'SP' for share premium and 'OC' for ordinary share capital.

*Report on the units taken in January 2008*

- (b) (i)** Well answered by many candidates, although weaker candidates failed to state that debentures are an alternative to ordinary shares because they do not have voting rights.
  - (ii)** Weaker candidates did not answer this part of the question and were not prepared for a sources of finance question. Many well prepared candidates, however, stated that it would preserve the cash flow and prevent large cash outflows and leasing arrangements will include repairs and maintenance.
  - (iii)** Generally not well answered, with many candidates not understanding the term. There were some good answers from high ability candidates giving well developed explanations of having a constant cash flow and reducing the problem of bad debts.
  - (iv)** Generally well answered.
- 3**
- (a)** Very mixed responses with many correct ratios provided by well prepared candidates. Weaker candidates were unable to calculate correct ratios. Many candidates did not express the price earnings ratio as times or years or show the dividend yield as 10%.
  - (b)** Generally not well answered, with little reference to market confidence in the shares.
  - (c)** There were many very good answers with reference to historic cost, inflation and different accounting policies. Some candidates had not prepared for this type of question and gained few marks.
  - (d)** Generally well answered by candidates, although many failed to note that an issue of preference shares may allow the company to invest in new markets and technology which may lead to increased returns on capital, higher dividends and higher prices for equity holders.

# Grade Thresholds

GCE Accounting H001/H401  
January 2008 Examination Series

## Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F001	Raw	100	74	65	56	47	39	0
	UMS	100	80	70	60	50	40	0
F002	Raw	100	72	64	56	48	41	0
	UMS	100	80	70	60	50	40	0
F003	Raw	100	78	68	58	48	39	0
	UMS	100	80	70	60	50	40	0
F004	Raw	100	79	69	60	51	42	0
	UMS	100	80	70	60	50	40	0

## Specification Aggregation Results

Uniform marks correspond to overall grades as follows.  
Advanced Subsidiary GCE (H001):

Overall Grade	A	B	C	D	E
UMS (max 200)	160	140	120	100	80

## Cumulative Percentage in Grade

Advanced Subsidiary GCE (H001):

A	B	C	D	E	U
13.20	32.40	48.50	79.40	91.20	100.00
There were 70 candidates aggregating in Jan 2008.					

For a description of how UMS marks are calculated see:  
[http://www.ocr.org.uk/learners/ums\\_results.html](http://www.ocr.org.uk/learners/ums_results.html)

Statistics are correct at the time of publication.

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