



General Certificate of Education

Accounting ACCN1

Unit 1: Financial Accounting:

Introduction to Financial Accounting

Report on the Examination

2009 examination - June series

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Accounting: Advanced Subsidiary Level**Unit 1: Financial Accounting: Introduction to Financial Accounting*****General***

This second sitting of papers under the new syllabus produced mixed responses. Candidates are clearly being well prepared to answer routine questions involving the preparation of a trading account, profit and loss account and balance sheet, but less commonly examined topics continue to cause problems. As has been stated in previous examiner's reports, this indicates a heavy reliance on past examination questions rather than developing a deep understanding of basic principles.

The scripts showed only marginal improvement in presentation and once again, there was a noticeable lack of workings in the computational questions. In general, it is the stronger candidates who have mastered the art of presentation and who tend to show relevant workings. This is a skill that all candidates should endeavour to achieve in order to ensure success.

Question 1

This question covered the area of the syllabus dealing with the purposes of accounting and also the explanation of basic accounting terminology. Few candidates were able to achieve full marks in the question and whilst it was apparent that most knew what they wished to state, poor communication skills resulted in very confused statements. The general rule in a question of this nature is that whilst the basic idea may be rewarded with one mark, development of that idea will be required to gain full marks.

Part (a)

Most candidates stated that the assessment of profitability was a reason for keeping accounting records however, a large number failed to develop the point. The second most popular response was the assessment of taxes, followed by minimising the possibility of fraud. Only the well prepared candidates were able to discuss the issues surrounding monitoring and control and the fact that this enables remedial action to be taken.

Part (b)

This part of the question, requiring an explanation of the terms accrued expenses, prepaid expenses and depreciation gave the opportunity for articulate candidates to gain six marks. However, a large number of candidates were let down by producing very confused statements. A significant number of candidates referred to purchases when discussing accruals rather than expenses and simply stated that prepaid expenses were expenses "paid early" without referring to any time scale, i.e. the end of a financial period. A number of candidates went to great lengths to explain how to calculate depreciation, but did not answer the question by explaining what the term meant.

Question 2

This question required candidates to make entries in a suspense account to correct errors and then identify the effect of the correction of those errors on net profit.

Part (a)

Part (a) required the completion of a suspense account, which is a good test of the candidates' understanding of the basic rules of double entry. Once again this topic proved troublesome. Only a small minority of candidates gained full marks and a significant number were rewarded with only three or four marks of the available ten. Many candidates either did not include the opening balance or dealt with it incorrectly by simply transferring the totals from the trial balance to the same side on the suspense account, rather than reversing them or calculating the correct balancing figure. The majority of candidates did not demonstrate the correct way to close off an account.

Part (b)

This part of the question, requiring candidates to identify the effect of the correction of the errors on net profit offered the opportunity for well prepared candidates to gain easy marks, but a number of candidates clearly did not read the question. The question clearly asked for the **amount** by which the net profit would be affected, but a significant number of responses provided only a tick in the relevant box. These responses were awarded no marks.

Question 3

This question gave a list of balances and required candidates to prepare a profit and loss account and a balance sheet. As is usual under the new syllabus, adjustments were required for an accrual, a prepayment and depreciation, in addition to accounting for a transaction that had not been recorded in the books.

Part (a)

The profit and loss account was very well done by the vast majority of candidates. It is pleasing to report that most candidates are able to correctly process the necessary adjustments, but disappointing to note that a large number of candidates are still failing to show workings. In the event of a miscalculation, this could result in no marks being awarded whereas the candidate who does show workings would be rewarded appropriately.

Although the question clearly asked for a profit and loss account, a minority of candidates attempted to produce a trading account as well. This was obviously not required as the gross profit for the year was provided in the question. Weaker candidates tended to include drawings in the profit and loss account.

Part (b)

This part of the question, requiring the preparation of a balance sheet was less well done. A small minority of candidates are still unclear as to the structure of a balance sheet, often presenting a list of balances resembling a trial balance.

Common errors were to classify the bank loan (repayable December 2009) as a longterm liability and to classify drawings as a current asset. A significant number of candidates were unable to deal with the double entry for the £2000 drawings that had not been recorded in the books of account. Only a small minority of candidates were able to correctly deduce that this would increase the bank overdraft.

Question 4

This question concentrated on a sales ledger control account. Whilst well prepared candidates were able to obtain very good marks for the first part of the question, the remaining parts were less well done.

Part (a)

Candidates were clearly well prepared for the preparation of a sales ledger control account and this part of the question was done well in the majority of cases. Weaker candidates failed to recognise that cash sales do not form part of a sales ledger control account and that discount received belongs in a purchases ledger control account. In general, the standard of presentation in this task was poor and once again there was clear evidence of the difficulty candidates have in correctly balancing an account.

Part (b)

Whilst most candidates were clearly quite capable of preparing a sales ledger control account, only a small minority were able to explain in a cohesive way how the balance on this account verifies the accuracy of the sales ledger. Many candidates offered no answer to this question whatsoever.

Part (c)

The majority of candidates were able to correctly state two types of error that would not be identified by preparing a sales ledger control account, but weaker candidates had difficulty in developing their responses sufficiently to earn the second mark. A popular, but incorrect answer was an error of principle.

It is disappointing to note that relatively few candidates were awarded the full two marks for quality of written communication due to a combination of poor spelling and bad grammar.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results statistics](#) page of the AQA Website.