



**General Certificate of Education**

**Accounting ACCN2**

**Unit 2: Financial and Management  
Accounting**

**Report on the Examination**

*2010 examination - January series*

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## **Accounting: Advanced Subsidiary Level**

### **Unit 2 Financial and Management Accounting (ACCN2)**

#### **General**

It is pleasing to report that candidates taking this examination were, in general, able to attempt all of the topics assessed. The standard of presentation was good, candidates were able to write developed answers and the vast majority of candidates supported their answers with clear workings.

#### **Question 1**

##### **Part (a)**

This question was a straightforward calculation of the profit/loss on disposal and the majority of candidates achieved maximum marks.

##### **Part (b)**

This was a more challenging question requiring candidates to calculate the depreciation to be charged in the profit and loss account. This involved accounting for the disposal and acquisition and also using the reducing balance method of depreciation at a rate of  $33\frac{1}{3}\%$ .

Candidates clearly found this question difficult and many did not account for the disposal, or depreciated the disposed asset at the year end. Worryingly, a significant proportion of candidates could not multiply by  $33\frac{1}{3}\%$  and used a number of variations including 0.3 and 0.33. However most candidates were able to apply the reducing balance method.

#### **Question 2**

This question required candidates to evaluate the reasons for preparing a cash budget. Most candidates were able to provide reasons for the preparation such as: planning, monitoring, control etc. They were also able to develop ideas by giving examples - which is good practice. A number of candidates had clearly learned that motivation is a reason for preparing budgets; whilst this might be the case for departmental budgets it is difficult in this case to see how this cash budget could provide motivation. However fewer candidates related the question to the budget provided. It should be noted that using, data either given in the question or calculated by the candidate, is rewarded and is an example of good exam technique. Very few candidates achieved full marks as they did not evaluate the reasons. Some candidates had clearly been taught to provide a clear conclusion again this is good exam technique.

#### **Question 3**

##### **Part (a)**

This question tested the application of accounting concepts. This is a topic that candidates find difficult, and this was reflected in their answers. Many candidates could not correctly identify the four concepts required and may not have read the question carefully, as they calculated depreciation for item 4 when the question states that depreciation has already been charged. Candidates were more comfortable with the calculation of stock valuation as this is a more familiar question.

### **Part (b) and Part (c)**

The responses to these questions were very pleasing with a significant proportion of candidates achieving full marks. The most common errors were: candidates omitting the rights issue when calculating the dividend in part (b); and in part (c) a number of candidates struggled to account for the premium on the rights issue, sometimes including this as part of the share capital.

Answers were well presented and for the most part clearly labelled, gaining a reward for quality of presentation.

### **Question 4**

#### **Part (a)**

This question was well answered on the whole, with most candidates knowing the formulae and being able to calculate the ratio accurately to decimal places and show it in terms of x:1 or as a percentage (when using the alternative method of calculation).

#### **Part (b)**

This question required candidates to evaluate the liquidity position of the company. Most candidates were able to explain the ratios and were able to make sensible comparisons with the industry average ratios. However, very few candidates evaluated the position. To gain the 2 marks available candidates had to make a statement about the position and explain why they thought this. For example: "Clim Ping Ltd's liquidity position is good as the ratios compare well with the industry average".

It is a concern that candidates still believe that there are "ideal" ratios and frequently state that the current ratio should be 2:1 and the acid test ratio 1:1. This should be discouraged and it is not rewarded in the mark scheme.

The main reason that candidates lost a mark for the quality of written communication was not spelling, but the failure to use sentences. Some answers covered more than one page with only one or two full stops.

#### **Part (c)**

This question required candidates to explain how it was possible to make a profit but have an overdraft. This question was very disappointingly answered. Many candidates gave a definition of profit and cash, but did not address the question. Other candidate focussed on the cash flow problems resulting from difference between debtor and creditor collection and payment periods without addressing the question of making a profit and not having money in the bank.

The better responses clearly identified reasons for the difference such as: timing differences, eg sales on credit and payments not affecting the income statement, eg purchasing fixed assets or repaying loans.

### **Mark Ranges and Award of Grades**

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