



General Certificate of Education

Accounting ACCN3

**Unit 3: Further Aspects of Financial
Accounting**

Report on the Examination

2010 examination - January series

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Accounting: Advanced Level

Unit 3 Further Aspects of Financial Accounting (ACCN3)

General

Candidates were much more comfortable in answering the numerical sections of the paper.

It was good to see that the majority of candidates supported their answers with detailed workings. It was also good to note how many candidates cross-referenced their workings to the figures in the main answer with either headings or the use of W1 (Workings 1) etc. The candidates who did not support their answers with workings generally deprived themselves of any part marks that were available.

A significant number of better organised candidates also prepared a plan before starting their written answers. Some weaker candidates who did not prepare a plan often repeated points in their answer which did not score them extra marks and, more importantly, wasted valuable time that could have been profitably used scoring marks on other questions.

There were still a significant number of candidates who started their written answers by outlining the question. For example, "The directors of SDERT plc are to purchase a machine and they are considering three options to raise the finance. These options are..." was a frequent start to Question 2. This wastes time and more importantly, scores no marks.

Many candidates' handwriting was of poor quality and in extreme cases words proved to be undecipherable. Often it was extremely difficult to tell whether a candidate had written a crossed seven or a four. Zeros and sixes were often confused and, in a significant number of instances, the candidate could not read their own figures in order to move on accurately to the next stage of their answer.

Question 1

Part (a)

The majority of candidates scored maximum marks. Those candidates who did not score maximum marks were unable to weight the average that they calculated. Their calculation of the average cost was based on the two purchase prices and therefore arrived at an average value of £16.50. Other candidates based their valuation on all the monetary figures given in the question, including selling prices.

Part (b)

This part of the question was also well done. Most candidates chose to calculate the gross profit by constructing a trading account. Although this was an acceptable approach, calculating the difference in the two stock values and adjusting the gross profit figure was the more efficient and faster approach.

Question 2

Mainly this question was well done and many candidates scored high marks. Weaker candidates failed to develop the points they had initially identified. Some candidates deviated from the evaluation and merely described the source of income. In extreme cases it was difficult to tell from whose point of view the candidate's comments were being made.

Many candidates discussed a change in the control of the company. No marks were awarded for this since none of the options would change the ownership structure.

A significant number of weaker candidates clearly thought that the owners of the company were the directors and discussed what effect selling more shares to "outsiders" would have on the owners/directors.

Option 1

It was clear that a significant number of candidates did not know what "credit terms" meant. A significant number of candidates commented on the fact that this was a good option since "no interest was to be charged". Only a few of the stronger candidates commented on the fact that a very high rate of interest would be charged (around 11% in the first year and even higher in subsequent years) compared to the debenture interest and the current rate of declared dividends.

Option 2

Only the stronger candidates knew what the premium signified. Many candidates believed this to be the rate of interest charged. Significant numbers of candidates believed that £100 000 was an amount to be paid by SDERT in 2035 in addition to the £800 000. Around half of candidates commented on the fact that the company would have to provide extra funds to add to the debenture to gain the required £900 000. A significant number of candidates thought that the machine would only be purchased "when the funds are made available in 2035".

Option 3

Most candidates were able to score marks for this option. Well prepared candidates itemised the key points. However, weaker candidates often showed a lack of knowledge with regard to a rights issue. Some believed that it was two issues; a share issue and then another issue called a rights issue. Many candidates discussed the implications of someone buying more than 50% of the shares and thus gaining control of the company. Those candidates were unaware that the rights issue was an issue to existing shareholders.

The vast majority of candidates did give an evaluation based on their analysis.

Question 3

This question very well done although there were very few completely correct answers given.

It was good to see that the vast majority of candidates backed up their figures in the income statement with workings. However, some candidates' workings needed a "Sherlock Holmes" approach to follow them.

Surprisingly at A2 level there was a significant number of candidates who headed the trading and profit and loss account (income statement) "as at" and the balance sheet "for the year ended".

Many candidates used only credit purchases and credit sales in their income statement or used only cash purchases and cash sales. Goods for own use continues to pose a problem for many candidates. The majority of candidates did not adjust the purchases figures. Some incorrectly deducted £1670 from closing stock; many ignored the adjustment in the income statement.

The other adjustments were generally treated accurately.

Question 4

Part (a)

Although there was only a small number of perfect answers there were many good attempts at producing a statement of cash flows. The main errors were items being entered in the incorrect sections. Weaker candidates were unable to correctly identify the direction of the cash flows. The most common errors were to deduct the adjustment for depreciation and to add the profit on the sales of plant and equipment.

Most candidates were able to gain the quality of presentation mark for the heading, although many lost the mark by abbreviating parts of the heading.

Only the stronger candidates were able to score the second quality mark for the descriptions that reconcile the opening and closing balances of cash and cash equivalents at the end of the statement.

Part (b)

There were many well thought out answers to the second part of this question. These answers focussed on the changes in cash identified in a statement of cash flows. Weaker answers discussed items from the income statement and the balance sheet of a company. Many answers were imprecise and regarded figures shown in a statement of cash flows as being absolutes rather than changes that took place during the year. For example many candidates' discussions seemed to indicate that the total issued ordinary share capital was 200 000 ordinary shares of 50p each.

Most candidates scored a mark for their summary/judgement; stronger candidates were able to score both marks.

Quality of written communication

This element continues to improve although there are still too many basic spelling mistakes ie business, lose spelled as loose, interest and depreciation being the main errors. Structure of answers was better and those candidates who used a plan seemed to benefit greatly from this. In questions requiring a decision or a judgement this was generally given and developed.

Mark Ranges and Award of Grades

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