



General Certificate of Education

Accounting ACCN4

Unit 4: Further Aspects of Management

Accounting

Report on the Examination

2010 examination - June series

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Accounting: Advanced Level

Unit 4: Further Aspects of Management Accounting (ACCN4)

General

Centres are thanked for preparing so thoroughly their candidates to work with the new numbering system and the new style answer book. The majority of candidates responded well to the changes to the June 2010 exams, but where difficulties were experienced, centres are asked to draw candidates' attention to the comprehensive range of guidance material that is available on this subject in order that they are confident about what is required of them in future examinations. Support available on this issue includes Guides for teachers and students, and specimen question papers and mark schemes showing the changes in action. All documents published in support of the changes to exams can be accessed via notices published on all qualification homepages, all subject notice boards, and on the parent and student area of the web.

The general performance by candidates was strong with not only detailed knowledge of the required accounting techniques, but also well thought out and structured prose answers. The majority of candidates showed all their workings. Clear workings allow the examiner to follow through the candidate's approach and award marks accordingly. They also help candidates use the correct calculated information. A notable improvement was seen with the majority of candidates using the correct accounting terminology throughout their paper. One general recommendation is that candidates should always be advised to support their answers with financial data wherever possible (see Task 1, Question 03).

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Task 1

Questions (01) and (02)

Most candidates calculated the correct answers for the provisions for unrealised profit. A common error was to simply multiply the inventory at transfer value by 20% instead of 20/120. A few candidates worked out the cost value instead of the provision by multiplying by 100/120.

Question (03)

Some candidates chose to explain their answers by writing out the relevant extracts of the financial statements. Others described the treatments. Very few candidates stated that manufacturing profit was reduced by the increase in provision but most realised that the increase affected the profit. Another error was to add the provision to the inventory valuation in the balance sheet or to say that the provision was recorded in the current liabilities. The recommended approach is to always back up any description with financial data, so the amount of inventory in the balance sheet and the amount of the change in the provision should both be stated.

Question (04)

This type of question requires reference to the accounting concepts or to the accounting standards. Maximum marks will not be given for general comments. For example, in an answer which states that profit should not be overstated or understated reference should be made to where it says that this is the right treatment and why.

Task 2**Question (05)**

The majority of candidates answered this question well. Common errors included using the current production cost of £45 or miscalculating the amount of units of production by omitting the information on the reduced output, due to installation time in year 1, or omitting the fact that the 20% increase was on the previous year's production. Workings had to be clearly written here as this response related to Question 06.

Question (06)

Once again full marks were awarded to many answers to this question. Most candidates calculated the reduction in selling price down from £55 to £44 correctly. A good answer was supported by detailed workings. Although a few candidates incorrectly subtracted a figure for the annual investment cost from the revenue, or subtracted the whole investment cost from the revenue in year 1, most candidates were well prepared and knew the correct approach to calculating the net present value. The most common error was to multiply the discount factor by the annual revenue **or** the annual costs, instead of netting these amounts off. Candidates must remember to identify the actual amount of net present value. The quality of presentation mark was awarded for having the correct headings within the table.

Question (07)

Most candidates answered this question well. Answers were well thought out and logically presented with both sides of the argument given, as well as a final judgement on whether the replacement machine should be purchased. Good answers on the financial considerations made reference to other accounting techniques such as payback, which could support a decision as well as explaining what the positive net present value in the previous question actually meant.

Generally good answers were given for the non-financial considerations including the detrimental effect on the environment and potential actions by pressure groups. Candidates are reminded that full marks cannot be achieved unless the answer includes both financial and non-financial considerations and a final judgement on whether the purchase should be undertaken.

Task 3

Question (08)

This question was well answered and clearly presented. Common errors included adding the hours to the overhead costs when calculating the total cost per department, and calculating all the overhead absorption rates without identifying the most appropriate bases given that the departments were either labour or machine intensive. Answers must also clearly state whether the amount is per labour hour or per machine hour.

Question (09)

This was again well answered although many candidates ignored the OARs calculated in the previous question and just added 25% of the direct cost to work out the selling price, so there appeared to be a lack of understanding of the application of the OAR rates.

Question (10)

Most candidates could make reference to the cost pools and cost drivers but few could actually identify the benefits of using ABC to calculate the selling price of a product. The knowledge of ABC was there, but again some candidates found it difficult to apply the accounting technique in a scenario. It should be remembered that although questions may not be set on calculating the activity based cost of an activity, candidates are expected to know how the technique is actually used.

Task 4

Question (11)

The most common error in this question was to forget that the contract involved two carpenters per roof, so all calculations had to be doubled. The presentation of the labour budget was often disappointing as some answers consisted of workings on a page, without format. This was unfortunate as the 'quality of presentation' mark was for the budget layout.

Question (12)

This type of question has been asked in previous examination papers. For the most part candidates knew how to tackle this type of problem using the break even formula. Candidates should be prepared to use the break even formula to find a variety of missing information, such as profit, contribution per unit, etc, not just to calculate the break even in units.

Question (13)

The majority of candidates worked out profit and contribution correctly, although some candidates confused the two.

Question (14)

Many candidates achieved full marks on this question. The variances were relatively straightforward as the information did not require flexing. Common errors included omitting the pound signs on the answers or misstating the direction of the variances. Some candidates worked out variances in millions of pounds despite the actual cost for the carpenters being only £18720 at the end of the contract. Candidates should ensure that their answers make logical sense given the data within the question.

Question (15)

The most common mistake in this question was to provide generic answers. The question asked about the variances, not variances in general. Candidates should use the financial data they have produced. Wherever possible candidates should refer to the effect of adverse and favourable variances on profit. As in the past, confusion arose over the causes and meaning of variances with some candidates believing that more or less workmen had been used. The more able candidates mentioned adverse weather conditions as a possible cause of an adverse efficiency variance. Other candidates mentioned the relationship between the variances; that poor materials often caused an adverse efficiency variance, or lower pay could cause a reduction in morale which could also lead to a reduction in efficiency.

Mark Ranges and Award of Grades

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