



**General Certificate of Education (A-level)
June 2011**

Accounting

ACCN3

(Specification 2120)

Unit 3: Further Aspects of Financial Accounting

Report on the Examination

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General comments

It was encouraging to see that this paper produced some strong numerical answers, especially as certain tasks included some conceptually demanding adjustments. Equally, there were some very good written responses on the shorter prose tasks which, nevertheless, required some degree of technical knowledge to be demonstrated.

Many of the numerical responses were well presented and used conventional formats. This particularly applied to the partnership capital accounts which were done in columnar style, and the income statement which was prepared with the correct layout, whilst also using the appropriate IAS terminology. The same was not unfortunately true for the schedule of non-current (fixed) assets where candidates used a variety of non conventional presentations which were often more difficult to understand and consequently did not always attract the marks for quality of presentation.

Many candidates used very good workings to support the numerical outcomes, and this continues to be essential where several marks are often attributed to answers in which adjustments need to be performed using certain task data. Some workings were exceptional with detailed cross referencing to the answer, and which were also well presented making them clear to understand. However, candidates should be reminded that unfortunately workings in isolation and which are not therefore subsequently included in the main task outcome will not be rewarded. This especially applied to the cash account if the amount of cash stolen did not later appear as an expense in the income statement.

The written prose responses were more discrete than previously, requiring candidates to show understanding on a range of different issues from sources of finance to the role of directors in preparing, and the applied usefulness of, financial statements. Many candidates were able to effectively articulate responses and consequently gained the marks available for the quality of written communication including good spelling, punctuation and grammar.

Task 1

- 01** Many candidates were able to construct the capital accounts with appropriate entries. Some candidates treated the loan as a capital introduction and therefore entered £25 000 in the credit side of Leony's capital account. Most mistakes, however, related to the current account adjustment for Paul where candidates typically either showed £5 000 in the debit side of his capital account or netted this amount off against the existing current account balance to show £4 140 in the debit side, or recorded the correct amount of £14 140 but on the credit side instead of the debit side.
- 02** Many candidates were able to correctly calculate the values required. However, some candidates assumed that the £25 000 loan was a receipt into the bank account. Some candidates need to carefully think about not producing unnecessary work which is not time efficient, even though it could well be correct. This included the construction of T accounts, full balance sheets and even written prose responses with the values being embedded into a paragraph style outcome.

Task 2

- 03** Many candidates clearly understood how to calculate an inventory (stock) reconciliation statement. Some candidates were confused with the sales returns and therefore either included the adjustment at selling price of £1 608 or used margin to show a value of £1 286.40. Some candidates confused the direction for the adjustments and this was not helped in other cases where candidates attempted to have an end valuation of £25 400 before working backwards up the calculation. Some candidates did not net off the cost and net realisable value on the damaged inventory. Many candidates added £352 for the damages inventory to give a new valuation of £26 890 and this was rewarded as an acceptable interpretation of the scenario.
- 04** Some candidates were able to correctly identify IAS7 and comment on the relevant treatment. However, a significant proportion of candidates commented on IAS2 and the more familiar treatment that inventory (stock) is valued at the lower of cost and net realisable value. Some candidates unnecessarily included examples to illustrate the application of this treatment and also gave lengthy definitions of net realisable value. A few commented on FIFO and AVCO.
- 05** Some candidates clearly recognised that a debenture was not suitable and even gave more viable alternatives. However, many other candidates incorrectly advised the directors of RayJen Ltd that a debenture loan would be an appropriate source of finance. The main justification for this was that a loan would help the business with its cash flow problems. Some candidates instead suggested other sources of finance which were equally inappropriate including the issue of either ordinary or preference shares. Some candidates used a full memorandum layout, although this was not required and did not specifically form part of the quality of written communication marks.

Task 3

- 06** Many candidates were able to produce the income statement even if there were some errors in the calculations where adjustments were required. Only a very small proportion of candidates were able to correctly calculate the figure of £755 for goods for own use. Some candidates made an attempt at this calculations but got confused whilst others did not even realise that a calculation was necessary. Many candidates added £535 for rent and rates to give an expense total of £7 365 and therefore assumed it to be a prepaid amount. Other common mistakes included not calculating a loss on disposal, or calculating stolen cash but not putting this into the income statement. For sales especially, there were a variety of misconceptions which included adding the sale proceeds of £1 800 and/or the £23 890 transfer from cash to sales, applying the mark up to the correct sales figure to give £101 888 or showing the cash sales only. The latter also applied to the purchases figure.

Task 4

- 07** Some candidates clearly recognised a variety of correct roles and responsibilities. However, overall this was the least well answered question. Many candidates focused on roles of directors which were unrelated to their responsibility in the preparation of the financial statements, such as managing the business or making decisions.
- 08** Many candidates were able to comment well on the usefulness of the published accounts to employees. Some were able to give more embellished responses which commented on share schemes, and non monetary rewards derived from the business being financially stable, including improvements in morale. Some candidates, however, were too vague in describing financial indicators and should instead have made more definite references to profitability and cash flow for example.
- 09** Many candidates were able to comment appropriately on the usefulness of published accounts to trade payables (creditors). Some candidates, however, appeared to confuse the relationship and it was therefore difficult to follow which business was the customer and which business was the supplier.
- 10** Some candidates clearly understood the requirement and were able to produce a schedule of non current (fixed) assets. For those others who attempted the task, there were a significant variety of layouts and approaches to supporting calculations which suggested that some candidates are less familiar with this computation. Some of the more common errors were using the straight line method to calculate depreciation on the plant and machinery, and confusing the cost with the proceeds when eliminating the fixtures and fittings which had been disposed. Few candidates understood the need to eliminate the £45 000 accumulated depreciation as part of the land and buildings revaluation.

Mark Ranges and Award of Grades

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