



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

**Accounting**

**ACCN4**

**(Specification 2120)**

**Unit 4: Further Aspects of Management  
Accounting**

***Report on the Examination***

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## General comments

Candidates are clearly being well prepared to answer routine computation and prose questions but less commonly expected scenarios seemed to cause problems. This may suggest that candidates are prepared and able to respond to previous examination questions using recall rather than developing their understanding of accounting principles, and applying this to the range of tasks that are set. Questions 07 and 10 demonstrated this as many candidates provided excellent responses but unfortunately failed to relate their knowledge to the requirement of the question.

In general, it was the stronger candidates who recognised the requirements of the task and applied their knowledge of the topic in response to this and were able to clearly present their computations. These are skills that all candidates should aim to achieve in order to maximise their potential.

Overall, it was pleasing that a large number of candidates are now showing clear workings. Clear workings allow the examiner to follow through the candidate's approach and award marks accordingly. Where candidates did not show workings, and their answer was incorrect, no marks could be awarded. One general recommendation is that candidates should label their calculations especially where there is a reference to the figure in their prose response.

## Task 1

- 01** Many candidates scored full marks and clearly showed their workings for the provisions for unrealised profit. A common error was that some candidates multiplied the inventory at transfer value by 25%. The quality of presentation mark was awarded for having the correct balance sheet sub-heading.
- 02** This type of question required reference to the relevant accounting concepts and to the appropriate international accounting standards. Maximum marks were awarded when both were discussed. Whilst a large number of candidates could achieve high marks for the discussion of IAS2 and prudence, few went on to write about other concepts and the relevance of IAS1.

## Task 2

- 03** The most common error in this question was to use incorrectly the total units (25 000), instead of the hours (50 000), to calculate the absorption rate. Other answers included all of the costs in the calculations, ie the direct costs, indicating that some candidates are not clear about what constitutes an overhead.
- 04** This was very well answered although many candidates ignored the overhead absorption rate calculated in the previous question and started the question from the beginning. Many candidates scored full marks with a perfect answer. If marks were lost it was for not showing clear workings.

- 05** This was the most poorly answered question as candidates failed to apply their knowledge of absorption costing to this question. Many candidates simply quoted generic responses comparing the technique to activity based costing and/or marginal costing instead of applying their knowledge to the question. Few candidates could actually identify the limitations of using absorption costing as a method of calculating the selling price of a product.

### **Task 3**

- 06** A significant proportion of the candidates achieved full marks for this question. Most candidates calculated the total contribution and profit correctly. A good answer was supported by detailed workings. Candidates must remember to label the actual amount of total contribution and profit as these were necessary to obtain full marks.
- 07** The majority of candidates did not answer this part of the question well. Once again, a substantial number of candidates did not appreciate that if the actual production is different to the expected production then the budgeted costs must be restated. Although the question clearly asked for total labour and material variances, many failed to total the two sub-variances. Those candidates who correctly calculated the total variances often omitted a pound sign or the direction of the variance.
- 08** A large number of candidates were able to calculate correctly the sales sub-variances but again some did not clearly label each variance. Candidates who did not use the formula approach often confused the variances by switching them around. Once again, those candidates who correctly calculated the sub-variances then often omitted a pound sign or the direction of the variance.
- 09** This question required candidates to reconcile actual profits with budgeted profits. However, a large number of candidates were let down by not first adjusting the budgeted profit to the actual production level. Candidates who clearly labelled each part of the statement benefited from own figure marks from questions 06, 07 and 08.
- 10** This question required candidates to assess the effectiveness of using variance analysis to evaluate the performance of Yusuke's business. However, many candidates did not read the question properly and went on to accurately discuss the reasons behind each variance without answering the question. There were no marks awarded for giving reasons for a particular variance.

#### **Task 4**

- 11** The production budget was very well done by the vast majority of candidates. It was pleasing to see that most candidates were able to present this budget clearly, and many candidates gained full marks.
- 12** This question asked candidates to explain the financial implications of the decision to purchase units from Ogo Ltd. It was pleasing to note that many candidates fully applied the financial data and maximum marks were frequently awarded. Weaker candidates failed to correctly calculate the shortfall in units as 1110 units; many incorrectly calculating it as 1100 units. This was another key area where clearly labelled workings helped candidates to gain marks.
- 13** This question required candidates to calculate net cash flows and then the net present value of option 2. Overall, it was pleasing that the majority of candidates presented their working well so that even where the net cash flows were not calculated correctly the candidate could still gain marks for the correct process. Most candidates clearly labelled the net present value and this was where the mark for quality of presentation was awarded.
- 14** 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 leased or purchased. Good answers on the financial considerations made reference to possible profit or contribution levels, which could support a decision as well as explaining what the negative net present value in the previous question actually meant. However, a sizeable number of candidates failed to point out that a project with a negative net present value should be avoided.

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