

Accounting

Advanced GCE A2 H401

Advanced Subsidiary GCE AS H001

Reports on the Units

June 2008

H001/H401/MS/R/08

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This report on the Examination provides information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the syllabus content, of the operation of the scheme of assessment and of the application of assessment criteria.

Reports should be read in conjunction with the published question papers and mark schemes for the Examination.

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Chief Examiner's Report

Chief Examiner's Report

The number of entries continues to increase and it was pleasing to note the high standard presented by some candidates. Most candidates were able to complete the papers in the allocated times. Lack of completion, where it occurred, appeared to be due to a lack of knowledge and ability, rather than time.

Quality of written communication marks are built into mark schemes and some candidates do not gain the marks available due to poor presentation of accounting statements. Presentation would be improved for some candidates with presentation to good accounting formats, and the use of a ruler.

Responses to narrative sections of questions were varied. Frequently, responses were limited and candidates would improve their performance with greater development and evaluation. Some candidates responded with answers to questions they would have liked to have been asked, rather than the actual questions asked.

Some candidates did not present ratios to the correct expression, such as %, times or days. Marks will be lost for not using the correct expression; as will not presenting answers to the decimal point requirements of a question.

Unit 1 – Accounting Principles

General Comments:

Most candidates were able to complete the paper in the allocated time. The standards achieved varied from excellent to very poor. Frequently, candidates gained high marks on Question 1, the preparation of the Trading and Profit and Loss Account and the Balance Sheet; on the other hand, responses to Question 3 were more limited.

Comments on Individual Questions:

- 1 (a) Few candidates were able to present a perfect set of accounts; however, many achieved very high marks. Presentation would be improved with the use of a ruler. Common errors in the Trading Account were adding the closing stock and returns to the purchases and deducting the goods for own use from the closing stock.

Within the Profit and Loss Account, a significant proportion of candidates failed to add the profit on sale of the motor vehicle to the gross profit. When calculating the provision for doubtful debts, many candidates failed to take off the bad debt of £500 before calculating the provision for doubtful debts. Depreciation of machinery was frequently incorrectly calculated, with many candidates failing to make the adjustment for the machine purchased on 1 October 2007. Quite a few candidates used the wrong percentage for the calculation of depreciation on office equipment. Many candidates correctly adjusted for accruals and prepayments, but as in previous papers the calculation of loan interest proved difficult.

On the Balance Sheet most candidates were able to adjust the fixed assets to incorporate the accumulated depreciation and most subtotalled the figure. In the current assets, a few candidates used the opening stock rather than the closing stock and many failed to calculate the net debtors figure. Other entries were generally well done. Within the current liabilities a number of candidates failed to include the outstanding loan interest of £1,200. The long term liabilities and the financed by section were generally well presented.

- 2 (a) Some candidates were able to provide a correct set of ledger accounts for expenses and revenues, but many were unable to identify whether the opening balances were debit or credit balances, a number of candidates also failed to identify whether balances were brought down or carried down. Candidates also lost marks by failing to identify the correct narratives; some entries had no narrative included in the accounts. Rent received caused some problems with candidates reversing all the entries. The bad debts frequently showed a balance carried down rather than a transfer to the profit and loss account. A number of candidates also entered the total debtors in the bad debts account.
- (b) The profit and loss account extracts were generally very well presented. The only common error was failing to show the rent received as other income.
- (c) The balance sheet extracts were also very well presented, with many candidates gaining full marks.
- (d) There were very few well developed answers to this part of the question. Many candidates merely identified the benefits of recording information in general, rather than the specific benefits accruing from the introduction of the double entry system as required by the question.

- 3 (a)** Again, candidates with a sound knowledge of double entry scored high marks and generally presented well laid out accounts. The provision for depreciation account caused some problems with candidates unable to correctly enter the opening balance and also incorrectly calculating the depreciation. Again, some candidates showed a poor use of narratives or did not include any. The double entry to the Profit and Loss Account in the Disposal Account was often entered as just a profit or a loss, with candidates failing to correctly identify the opposite account.
- (b)** Many candidates were able to identify two causes of depreciation but few were able to fully develop their answers to gain full marks. Some candidates rather than fully developing the two causes identified further causes of depreciation. A number of candidates obviously failed to read the question and explained the methods of calculating depreciation, rather than the causes of depreciation.

Unit 2 – Financial Accounting

1. General Comments

There were a wide range of results in the examination and a small number of well-prepared candidates were able to gain almost full marks. Generally, however, most candidates had strengths and weaknesses throughout the topics examined.

There was a significant minority of candidates who appeared not to be prepared for the examination and who found it difficult to achieve more than a few marks.

It is worth stressing the often repeated advice that candidates should read the question paper carefully. A number of marks were lost from simply not following instructions.

2. Comments on Individual Questions

Question No:

- 1
- (a) The Subscriptions Account was poorly done. Bad debts were rarely included and incorrect descriptions were common.
 - (b) The Bar Trading Account was well understood and prepared in good style. The main reasons for lost marks were a poor description of bar profit and a failure to deal with purchases adjustments.
 - (c) The Income and Expenditure Account was reasonably well answered. However, certain items caused problems:
 - i) the income and expenditure on the disco was often not netted off to provide the surplus on the event;
 - ii) depreciation was often calculated incorrectly;
 - iii) bad debts were often absent.

In preparing the Balance Sheet, candidates generally used good presentation and gained marks from including most of the fixed and current assets. However, they often failed to deal with the subscriptions balances and the accumulated fund calculation also caused problems. The bank overdraft was commonly included erroneously in the current assets.

- (d) The quality of the narrative advice was mixed. Often it failed to recognise that the organisation was a club rather than a business. Hence, comments such as 'take on a partner', 'sell shares', etc. were seen. Selling fixed assets, without any examples or considerations about the effect of such a sale on the club, was also a common response.

It was disappointing to see the suggestion of manipulating 'profits' by changing the depreciation policy. Such 'creative accounting' is not to be encouraged.

- 2 Many candidates experienced difficulties with the question although most showed some understanding and were able to earn some marks.

Report on the units taken in June 2008

- (a)** Again, as with Question 1 the bad debts caused problems, as did the returned cheque. Candidates do not seem to be equipped to deal with these kinds of problems which are common in a business.
- (b)** The reconciliation caused many problems for certain candidates who did not seem to have any idea how to present it. This type of question has been seen in the examination in the past so candidates should be familiar with it from work on past examination papers. Selecting the appropriate items to include within the reconciliation was a common problem.
- (c)** This part of the question was well answered.

3 Well prepared candidates produced some excellent answers and had few if any difficulties with calculation. Generally, though candidates experienced some difficulties with the calculations. There was a clear emboldened requirement to produce ratios to two decimal places and this was ignored by a significant minority of candidates. This detail is needed in the case of some ratios to be able to provide sufficient difference between one year and the next to make appropriate comments in analysis.

- (a)** There were many correct calculations but a minority of candidates did not indicate how the ratios should be expressed. For example for stock turnover the answer given was 1.84 without an indication if this related to 'days', 'times' or any other unit. Clarity is essential in answers.

Despite the question paper specifically indicating how return on capital employed was to be calculated a number of candidates took a different approach.

- (b)** There were many good narratives which gained full marks. Some responses, however, were unduly brief and cursory. Time was often wasted on descriptions about what each ratio measured.

Unit 3 – Management Accounting

General Comments

There was a wide range of marks achieved by candidates and most were able to complete the paper in the time allotted. Some candidates presented answers to a question throughout their answer books, rather than on continuous pages.

Comments on Individual Questions

- 1
 - (a) Most candidates correctly calculated the receipts from sales, taking into account the cash discount and receipt profile. Nearly all candidates correctly included the disposal receipt. Fewer candidates, however, correctly calculated the purchase payments and were not able to use the mark up information. Wages, general expenses and the equipment purchase were correctly entered by most candidates. Some candidates incorrectly included depreciation as a cash payment. Some candidates included their calculations within the Cash Budget, rather than showing separately.
 - (b) Many candidates were able to advise a business on actions to take when there is a deficit, although some responses lacked development. Some candidates defined a deficit rather than focussing on actions.
 - (c) Some candidates concentrated on the advantages of cash budgets, rather than on a budgetary control system. Whilst some responses were well developed, many candidates did not sufficiently develop the points made.
- 2
 - (a) Most candidates correctly excluded the original market research from calculations. Frequently, however, candidates did not calculate the correct cash flows for payback and net present value omitting to add depreciation to net profit. The use of discount factors was well understood by most candidates. Frequently the residual value was omitted from the net present value for Project A. Most candidates correctly deducted capital cost in net present value calculations. The accounting rate of return was correctly calculated by many candidates. Some candidates lost marks by not following the question instructions for rounding.
 - (b) Valid reasons for recommendations under each method were frequently given; however, few candidates put forward reservations such as the accuracy of estimates over a period and the initial difference in capital outlay. Few candidates developed their responses to give the merits of each method.
- 3
 - (a) Many candidates demonstrated the ability to construct a Contract Account to good format. Most candidates gained marks for the first section with debit entries for the various expenses. Some candidates, however, did not apply the correct depreciation to the plant purchased. Many candidates were able to use the payment received value as the basis for calculating the value of work certified. Few candidates correctly calculated the notional profit. Most candidates correctly showed some of the balances brought down.
 - (b) Most candidates correctly identified the prudence concept, although some defined it, rather than relating carried down to its use in the calculation of profit.
 - (c) Many candidates presented well developed responses on the reasons for the retention.

Unit 4 – Company Accounts and Interpretation

General Comments

Questions 1 and 2 were generally well answered by candidates. Question 3 was not well answered, with many candidates unprepared for a question on investor ratios.

Many candidates showed clear workings, although presentation of the accounts in Question 1 was often poor with an incorrect layout. Some candidates are still not using a ruler.

The majority of candidates completed the paper within the time period.

Comments on Individual Questions

- 1 (a) Very well answered with many correct answers. Weaker candidates produced a poor layout for the Manufacturing Account and did not classify costs in the correct section of the accounts. Many weaker candidates failed to calculate the correct increase in the provision for bad debts of £350.
- (b) Generally very well answered although weaker candidates could not name SSAP9 or state the lower of cost and net realisable value.
- (c) Many candidates identified the correct application of the prudence concept, although the application of the realisation concept was not as well answered. Many candidates failed to state that profit cannot be taken until the goods have been sold and an adjustment for unrealised profit should be made.
- 2 (a) Very well answered by high ability candidates. Weaker candidates failed to calculate the net loss of £149,000. Weaker candidates failed to calculate the correct depreciation charge of £62,000.
The layout of the Cash Flow Statement was generally good with the use of correct headings.
- (b) Well answered by many candidates. Weaker candidates failed to state that the revaluation is a capital reserve and that no cash is generated because it is a book entry. Good answers from candidates stated that it is not permissible to use a capital reserve because of the protection given to creditors.
- (c) Well answered by many candidates, many although candidates failed to state that the Cash Flow Statement can be used as a measure of how well the company has been managed and could be used as an indicator of how well the company might perform in the future. Written presentation was generally good.
- 3 (a) Not very well answered by the majority of candidates. Many candidates had not prepared for a question on investor ratios and had not learnt the correct formula. Many candidates failed to notice that it was £0.50 per share. Very few candidates could calculate the dividend cover or the price earnings ratio. Few candidates produced correct calculations.

- (b)** Not very well answered by the majority of candidates. Candidates failed to state that the ratio measures the amount of income received in proportion to the market price of the share. Candidates failed to state the consequences of a low dividend yield and a high dividend yield for the shareholders of the company. There were some good answers from high ability candidates who stated that the dividend yield could be used to compare firms in the same sector of the economy and with alternative investments. Many weaker candidates confused the dividend yield with earnings per share or price earnings.

Grade Thresholds

GCE Accounting H001/H401
June 2008 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F001	Raw	100	80	68	56	45	34	0
	UMS	100	80	70	60	50	40	0
F002	Raw	100	68	57	47	37	27	0
	UMS	100	80	70	60	50	40	0
F003	Raw	100	76	66	56	46	36	0
	UMS	100	80	70	60	50	40	0
F004	Raw	100	69	60	51	43	35	0
	UMS	100	80	70	60	50	40	0

Specification Aggregation Results

Uniform marks correspond to overall grades as follows.
Advanced Subsidiary GCE (H001):

Overall Grade	A	B	C	D	E
UMS (max 200)	160	140	120	100	80

Advanced GCE (H401):

Overall Grade	A	B	C	D	E
UMS (max 400)	320	280	240	200	160

Cumulative Percentage in Grade

Advanced Subsidiary GCE (H001):

A	B	C	D	E	U
13.1	27.2	45.0	61.5	75.4	100.0
There were 2030 candidates aggregating in June 2008.					

Advanced GCE (H401):

A	B	C	D	E	U
16.9	37.8	60.3	81.2	93.3	100.0
There were 1135 candidates aggregating in June 2008.					

For a description of how UMS marks are calculated see:
http://www.ocr.org.uk/learners/ums_results.html

Statistics are correct at the time of publication.

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