



General Certificate of Education

Accounting ACCN4

Unit 4: Further Aspects of Management

Accounting

Report on the Examination

2010 examination - January series

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Accounting: Advance Level

Unit 4: Further Aspects of Management Accounting (ACCN4)

General

This was the first time that this paper had been sat. In general the standard of both numerical and discursive question components demonstrated a good understanding of the appropriate management techniques. There was a wide spread of marks between those candidates who had prepared well and were able to score very high marks and those candidates who had not prepared diligently and scored very low marks. Although for the most part presentation was clear, and logically thought through, a few candidates had jumbled presentation and failed to show workings. These answers lost marks due to lack of clarity of method. This was especially important when a question required a logical step by step approach to arrive at the answer as illustrated by question 4(a).

There were many good answers to the discursive questions with candidates following the commanding word at the start of the question, for example question 1(b) used the word advise and the majority of candidates gave advice based on their calculations for payback etc choosing between machine Heath or machine Field. There were few instances where candidates listed all their knowledge on a particular topic, including phrases learnt by rote, whether they were applicable or not. However, the candidates generally applied their knowledge to the scenario in the question. This was clearly illustrated by question 4 on whether to use marginal costing or ABC to calculate a selling price. Candidates had obviously studied the difference between these costing methods and instead of just listing them out, were able to make a reasoned recommendation to Pot Proud Ltd.

For the quality of presentation in question 3(b) candidates had to use an appropriate heading with the name of the business and a correct time frame plus the correct use of the label Prime cost. For the quality of written communication in question 4(c) answers had to be clear, logical, concise, and free from grammatical and spelling errors. It was pleasing to note that few candidates used text language or slang in their answers and for the majority the correct accounting terminology was used.

Candidates should be encouraged to use tables where possible, such as in question 3(a), and discouraged from writing in the margin.

Question 1

Most candidates scored well on both parts of this question.

Part (a)

Candidates were asked to calculate the payback period for two machines. Various acceptable approaches were used with answers clearly stated in years, months, weeks or days. It was pleasing to note that full workings were shown, although common errors included subtracting the maintenance cost of £3000 from the net cash inflow of both machines also, using just the inflows to calculate the payback and incorrectly rounding up the answers, were seen.

Part (b)

The majority of candidates produced detailed answers using all the information provided. Although a few candidates just focused on the payback periods, many others calculated the total net cash inflows over the life of each of the machines, as well as the net cash inflow after the payback period. Candidates should be encouraged to always use financial data to back up their recommendations.

Question 2

In general candidates did not score so well in this question as many did not know how to calculate variances.

Part (a) and Part (b)

In part (a) candidates were required to calculate the two material sub-variances and in part (b) candidates were required to calculate the two labour variances. It was apparent that many candidates did not know how to calculate either type of variance and if they could attempt the price and rate variances they did not know how to flex the figures to arrive at the usage and efficiency variances. If a variance was attempted it was either a variance per unit or a huge figure was arrived at which made no sense. Many candidates who did not use the formula approach confused the variances by switching them around. Those candidates who correctly calculated the variances then often omitted a pound sign or the direction of the variance.

Part (c)

The majority of candidates did not answer this part well. Many candidates did not appreciate that if the actual production is different to the expected production then the budgeted costs must be restated. Another common error was to add favourable variances and subtract adverse as presumably candidates had not realised that it was a cost reconciliation not a profit one. Many candidates did not realise that the actual costs were stated within the question and did not need to be calculated.

Question 3**Part (a)**

Candidates had been well prepared for the inclusion of this new topic in the specification however it was disappointing to see presentation in this question. The question asked for a quarterly budget yet the majority of candidates only gave information monthly for January to March, ignoring the rest of the year. If they gave information for more than a year, it was presented in a table format as per the question whereby April to October was summarised into one total amount. Very few candidates actually fulfilled the question requirements by producing a quarterly budget.

Part (b)

In part (b) the quality of presentation mark was lost for the heading when candidates did not write the business name and a complete date in full. If the candidates knew the layout for the manufacturing account they often omitted to include the direct labour costs. Another common error was to include the selling and distribution costs. Disappointingly several candidates tried to produce an income statement (trading, profit and loss account) starting their answer with sales and including all the stocks.

Question 4

This question produced some excellent answers and was generally the best answered question on the paper showing that candidates had prepared well for the inclusion of a new topic in the specification.

Part (a)

Most candidates correctly calculated the contribution per pot for each size, but very few candidates then went on to calculate the contribution per labour hour as the limiting factor. A common error was to divide the contribution by two for the 30 minutes of direct labour time for pot size 20cm. A minority of candidates knew how to calculate the contribution per unit but did not then know how to calculate the optimum production plan.

Part (b)

It was pleasing to see that the majority of candidates had been well prepared for a question on ABC. Most candidates could explain the difference between marginal costing and Activity Based Costing and a few candidates made a good judgement and recommendation.

Part (c)

The majority of candidates were able to calculate the new variable cost per unit of £48 and the adjusted contribution per unit of £9. A few went on to calculate the difference in total contribution and others calculated how many hours would be lost by the redundancy policy. Candidates should be encouraged to support any arguments with financial analysis. The discursive content of the argument was well done with comments on the need to question the reliability and quality of the other supplier as well as possible problems with using an overseas supplier such as language barriers. The usual comments on the effect on staff morale were made. Generally it was a well answered question. The quality of written communication marks were for good English, punctuation and grammar as well as correct accounting terminology.

Mark Ranges and Award of Grades

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