



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

**Accounting**

**ACCN2**

**(Specification 2120)**

**Unit 2: Financial and Management Accounting.**

***Report on the Examination***

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### **General comments**

This examination tested a wide range of the subject content and skills contained in ACCN2. It is pleasing to report that most candidates were able to demonstrate a broad command of the knowledge and understanding of the subject content and were able to apply this knowledge to tackle the questions set.

Answers to the written questions continue to improve with candidates writing much more extensively and, in the best examples, using data from the question to support their arguments.

It is disappointing to report that many candidates did not achieve as many marks as they could for two main reasons:

- the failure to show detailed workings, or in some cases not using the answer from the workings in their final answer, eg in the income statement in response to question 4
- not reading the question or the information provided – see comments on question 2.

### **Question 1**

Very few candidates achieved maximum marks on this question. They were able to calculate the ratios successfully, but lacked precision in their explanations of the changes in the ratios from the previous years. For instance, the gross profit margin was lower than the previous year. The most common answer was that “sales had fallen”; this would not necessarily result in the margin falling as cost of sales should fall too. Candidates should be aware that a ratio is comparing two factors and that any explanation of a change has to deal with both factors, eg sales price falling with cost of sales remaining the same. Candidates should also be aware of the links between ratios and that a fall in the net profit margin could be caused by a change in the gross profit margin. Some candidates struggled to calculate the gross and net profits; they should not expect that this information will always be provided. They should be able to transfer skills from the preparation of an income statement or balance sheet to the calculation of ratios.

### **Question 2**

This question focused on the use of ICT in Accounting. Good responses were clearly structured, using information from the question stem to support the answer. For example, in part 2 (a) candidates stated that a benefit would be cost saving and were able to quantify this using data from the question. However, a significant number of candidates did not read the question carefully and repeated the advantages already given in the advert for the software. Most candidates were able to explain two disadvantages but some ignored the context of the question thus reducing the quality of their answers.

### Question 3

Part (a) of this question required the preparation of a cash budget for a start-up business; a scenario that had not been examined before. This task was generally well done with candidates showing significant improvement on previous questions in terms of layout and balancing the budget. However, a significant number calculated the cash flow and then failed to carry this on to calculate the closing balances.

Part (b) was less well done. Candidates did not always read the question, and rather than focus on whether the overdraft would be granted discussed how the budget could be improved. Many candidates did not use the numerical information from part (a) in answering part (b) – this should be encouraged as good practice and it was rewarded in the mark scheme. A significant number of candidates used the term “profit” rather than “cash” which cast some doubt on whether they really understood cash budgets.

### Question 4

This question focused on the preparation of limited company financial statements.

Part (a) involved the preparation of an income statement with adjustments for inventory and depreciation etc. It is pleasing to report that over 70% of candidates achieved more than half-marks on what was a challenging question. The layout of the income statement was disappointing with many candidates not showing operating profit and often showing both debenture interest and taxation as expenses. Again many candidates lost marks because they did not show their workings or failed to link the final answer used to any working shown.

Part (b) required candidates to identify the accounting concepts used to make adjustments to the income statement. Just under half the candidates managed to identify the two correct accounting concepts: prudence and consistency.

Part (c) required the preparation of a statement of changes in equity. This was introduced into the specification in 2010. Although this topic was tested for the first time in January 2011, it was disappointing that many candidates struggled with the question. Many were not familiar with the layout of the statement and what they were supposed to show. Many provided running totals rather than the changes and the final totals at the end of the year. It is vital that candidates are prepared for this type of question as it forms an integral part of the preparation of limited company financial statements. There are support materials on this topic in the Teacher Resource Bank section of the [AQA GCE Accounting webpage](#).

It should also be noted that candidates should realise that this type of question should be seen as a whole and that figures from part (a) were needed in part (c). In this case the profit for the year after tax in part (a) should have been included in the statement in part (c).

### Mark Ranges and Award of Grades

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