



**General Certificate of Education (A-level)
January 2012**

Accounting

ACCN2

(Specification 2120)

Unit 2: Financial and Management Accounting.

Report on the Examination

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General

The vast majority of students were able to attempt all the questions providing full responses.

It is pleasing to see more and more students providing full workings. However, there are still some who do not show workings and as result do not gain marks, more frustratingly, others who complete workings but do not link these to their final answer, and so again miss out on potential marks.

With regard to written responses, students are providing full answers with increased application to the data given in the question which is pleasing. However a number still write all they know about the topic rather than answering the actual question.

Question 1

This question focused on capital and revenue expenditure which is the first time this topic has been examined in ACCN2. This is reflected in the slightly disappointing responses to what should have been a relatively straightforward question.

- (a) This part required a definition of capital expenditure; almost half the students gained the full two marks on this question, giving an accurate definition of capital expenditure. However, it was disappointing that almost 30% gained no marks – often confusing capital expenditure with capital, or capital income.
- (b) This part of the question required the calculation of revenue expenditure. The vast majority of students gained some marks on this task. However, few gained the maximum marks. It is disappointing that a significant number of students attempted to prepare income statements, or omitted the computers bought for resale.

Question 2

This question tested students ability to prepare financial statements for a sole trader, with a number of complex adjustments.

- (a) The income statement was extremely well prepared with an average mark of 20 out of 25. It is pleasing to report that the income statements were presented to a very high standard with the vast majority of students showing detailed workings. However, there are still a significant number of students who either do not show workings or do not link their workings to the final answer in the income statement, thus not gaining marks available for the process.

The two most common errors were: deducting goods taken for own use from inventory, rather than purchases; and not being able to calculate depreciation at a rate of $33\frac{1}{3}\%$, many using 0.3 or 0.33.

- (b) This question required the calculation of the closing capital figure and 40% of students scored all four marks on this task.

Question 3

This question tested students' understanding of the financial statements and capital structures of limited companies. It revealed that many students have a fundamental misunderstanding of the nature of debentures. Many thought that the description of the debentures as repayable between the years 2032 and 2034 meant that the interest was only payable in those years. There were some students who thought the company would receive the debenture interest, despite the information given in the question.

- (a) This question required the calculation of interest on the debentures. Virtually all students were able to calculate the figure of £1 500 000. However, a significant number assumed that the interest was only payable between the years 2032 and 2034 and thus divided their answer by 2 and so earned only one mark for this task.
- (b) This task required the calculation of the gearing ratio. Unfortunately, 20% of students did not score any marks on this task, primarily because they did not know the formula. The most common error for those who knew the formula was to state a formula and then calculate the alternative, eg formula: $\text{debt} \div \text{equity}$ and then used capital employed in their calculations. Provided the formula matches the calculation then all marks will be awarded and 30% of students achieved this.
- (c) This task was to prepare the equity section of the balance sheet following a share issue. One third of students scored maximum marks on this. The most common errors were to use the value of shares rather than number of shares to calculate the share premium, and not show workings.
- (d) This task was to calculate the annual dividend; 40% of students scored all four marks. The most common error for those who did not gain full marks was to use the value of shares rather than the number of shares, or to use only the new share issue and ignore the shares already in issue.
- (e) This task proved to be the most challenging for most students. They were required to discuss the impact on liquidity and profitability of the two forms of finance, eg debentures and shares. Many students stated that both would affect the liquidity and profitability but did not state the effect. Significantly many focused on issues of control and voting rights rather than the requirements of the task.

With regard to the sources of finance a number of students thought that the debenture would only be available for two years, eg between 2032 and 2034, or that interest would only be paid for this period. Students did not distinguish between capital and revenue income and thought that the share premium would improve profit. They did not understand that dividends are a distribution of profit and would not reduce the profitability of the business.

Question 4

This question required students to calculate receivable days and payable days ratios and then to compare them and explain their impact on the business.

- (a) and (b)** The calculations were well done with over three quarters of students gaining full marks.
- (c)** This task was well answered with students able to compare the ratios over time and importantly to quantify the changes. Most explained the impact of the change. However, some went on to give reasons for the change or advise how the ratios could be improved; this was not required in the question and so could not be rewarded.

Mark Ranges and Award of Grades

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