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In Accounting (WAC12)

Paper 01 Corporate and Management Accounting

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General comments

The overall standard of student responses for this paper was a little disappointing. Students did well in certain areas that had clearly been mastered, but were weak in other areas. The levels mark scheme is proving a challenge for some students.

Specific comments

Question 1

This was a compulsory question, and scores were disappointing. Most students were able to carry out the correct calculations in Q1(a)(i) but few were able to attain a full ten marks for the actual cost in Q1(a)(ii), often struggling with the detail of labour costs. The own figure rule applied for Q1(a)(iii) which made most answers correct. Labour variances in Q1(b) were usually all correct or did not score any marks. Section Q1(c) discriminated well, with stronger students achieving full marks, and weaker ones struggling. It was good to see that most students could suggest two or three reasons why overheads were lower than budgeted. Answers to Q1(e) were superficial with very few answers showing chains of reasoning.

Common errors were:

- Not knowing the correct formulas to use for Q1(b) which meant that calculations were meaningless.
- Finding the reconciliation in Q1(c) unfamiliar, and struggling with the first and last entry on the table.
- Answering Q1(e), the evaluation, in a style that lacked depth.

Question 2

Another compulsory question that saw reasonable scores. It was good to see that many students could calculate the value of Homesales plc in Q2(a). Answers to Q2(b) were weak, with few looking at the appropriate figures and many not going into more depth than "not enough money". Goodwill calculations were accurate in Q2(c), with some benefiting from the own figure rule.

The realisation account and sundry shareholders account in 2(d) saw answers ranging from full marks to no marks. Answers to 2(e) were good, with most students being able to give a statement of financial position with mainly accurate figures. Evaluation of the accounting treatment of goodwill in 2(f) was weak, being hampered by a lack of knowledge of the treatment.

Common errors were:

- Omitting cash and cash equivalents from the calculation of the purchase price.
- Failure to calculate the profit on realisation in 2(d)(i) or calling this goodwill.
- Omitting goodwill from the statement of financial position.
- Incorrect calculation of ordinary shares and share premium in the statement of financial position.

Question 3

This was the second most popular question in section B, and marks were reasonable. Students felt confident when calculating the break-even point in 3(a) and scored well. It is surprising to see many still struggle when having to find the margin of safety - the meaning of the term is not known by a large number of students.

Profit in 3(b)(ii) was generally well done, using a variety of methods. The graphs in 3(c) were generally disappointing, with some not having any idea of what is required. This was disappointing, as it is clearly on the specification. Those who were familiar with the break-even graph scored very well. The evaluation in 3(d) of ICT used for break-even was reasonably well done, with knowledge of ICT applied sensibly.

Common errors were:

- Only including three payments for rent in fixed costs, instead of the four required.
- Not having an understanding of how to calculate the margin of safety.
- On the graph, total costs often started at zero, and did not finish exactly at an output of 35 000 units (neither did sales revenue).

Question 4

This was the most popular question in section B and scored the highest marks in this section. The more straightforward formulas and ratios were tackled well, but others were found difficult. Parts Q4(a)(i), Q4(a)(vi) and Q04(a)(vii) were tackled the best in Q04(a). Answers to part Q04(b) rarely managed to be stronger than comparing figures for 2017 with 2016. Those who calculated the difference between the two years were rewarded. However, very few were able to suggest possible reasons as to the cause of the differences.

Common errors were:

- In Q4(a)(ii), forgetting to add back interest to arrive at the net profit before interest and tax on the top line.
- Omitting to subtract the preference dividends in the numerator in Q4(a)(iii) and Q4(v).
- Confusion with the decimal point in the calculation of dividend per share for Q4(a)(iv).
- Did not develop chains of reasoning showing cause and effect in Q4(b).

Question 5

This was the least popular question in section B and scored the lowest marks of the optional questions. Students were able to calculate both direct labour and direct materials and machine maintenance that was fixed. Part Q5(b) saw some suggestions put forward, but there was very little depth to the development.

Common errors were:

- Did not calculate the variable element of £0.78 for the semi-variable overheads.
- Inability to work out the number of machines required for each level of output, when calculating the semi-fixed production overheads.
- Incorrect method used to try to calculate the fixed element for other overheads.
- Very thin arguments in Q5(b) which were often not specific to budgets that were flexible.

Question 6

This question was the second lowest question in section B in terms of popularity and marks achieved. Most students wrote reasonable explanations in Q6(a)(i) and Q6(a)(vii) concerning reduction in inventories and why Kontire Digital would purchase shares in other companies. Calculations for Q6a(iii) and Q6a(iv) to find trade receivables and payables were done reasonable well. However, the negative figures in Q6(a)(ix) and Q6(a)(x) often confused students, who rarely arrived at the correct answers. Some attempts at the evaluation in Q6(b) were reasonably good, but many were lacking detail.

Common errors were:

- Few students, in Q6(a)(iv) arrived at the accrued interest of £2 000 correctly, getting lost in the calculations.
- In Q6(a)(v) many answers used an incorrect figure for interest, or added their figure on to profit from operations.
- Confusion when trying to calculate the cash balance in Q6(a)(ix) and the movement on the bank balance in Q6(a)(x).
- Did not spot there was an overall net inward cash flow during the year, so they wrongly concluded the position was worrying.

Paper summary

The general points listed here should be addressed by students to improve performance.

- There is a clear benefit from showing all workings. If an error occurs early in the question, the student may not be awarded any marks for the figure calculated. However, if this figure is taken forward and treated correctly, the student will benefit from the "own figure" rule and achieve marks. Students are also advised to label all workings so examiners can see what exactly the student is doing, or trying to do. Just giving numbers leaves a trail that is almost impossible to follow.
- The levels based mark scheme will require students to adopt a different approach to the evaluation section of each question, especially in Section A. Previously, students could list a number of bullet points, often just one sentence. However students are now advised to try to develop the point being made to a greater depth where possible. This will allow access to the higher levels on the mark scheme. For example, at level 2, "chains of reasoning are present but may be incomplete or invalid". To move to level 3 requires "developed chains of reasoning, showing causes and/or effects". Centres are advised to carefully study the requirements of the higher levels, and try to guide students to answer in a style that reflects these levels. It is also important that students give a final decision or recommendation in order to be awarded one of the higher levels.

