

Accounting

Advanced GCE A2 H401

Advanced Subsidiary GCE AS H001

Report on the Units

January 2009

H001/H401/MS/R/09J

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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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Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

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Advanced Subsidiary GCE Accounting (H001)

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Chief Examiner's Report

Standards varied and a wide range of marks were achieved in each unit. Most candidates were able to complete the papers in the allotted times. Lack of completion where it occurred, appeared to be due to lack of knowledge and ability, rather than time.

Frequently questions require calculations for part of a period, rather than a full year: for example, loan interest and depreciation. Some candidates provided calculations for a full year rather than for the actual period required.

Some candidates presented answers to narrative questions on what they would have liked to have been asked, rather than the specific requirements of the individual questions.

Finally, while most candidates presented answers in a logical sequence, there were still some who spread their answers throughout their answer books; with for example, the answer to Question 1(b) presented in the middle of their answer to Question 3. Errors are less likely to occur if an answer is presented on continuous pages.

F001 Accounting Principles

General Comments

Candidates sitting this paper were re-sit candidates and as such the majority of candidates submitted papers of a high standard showing a good knowledge and understanding of the topics covered in the specification for this unit. Candidates were able to complete the paper in the allocated time. The standards achieved varied from average to excellent. Frequently, candidates gained high marks on Question 1, the preparation of the Trading and Profit and Loss Account and the Balance Sheet. The double entry in Questions 2 and 3 were well completed by the majority of candidates.

Comments on Individual Questions

- 1 (a) Most candidates completed a very good set of accounts; and many others gained very high marks. Some candidates did not provide correct titles omitting names and dates. Within the Trading section some candidates failed to calculate the net sales figure. A few candidates also adjusted for carriage inwards, drawings and purchase returns after the closing stock rather than before. Adjustments in the Profit and Loss Account were well done, with most being able to adjust correctly for the accruals and prepayments. The adjustment for provision for doubtful debts proved more challenging for some candidates as the debtors figure had to be adjusted before the calculation was made. A number of candidates also failed to correctly adjust the loan interest payment. Most were able to correctly calculate the depreciation of premises and office equipment using the straight line method, but were unable to calculate the depreciation on the motor vehicles using the reducing balance method.

On the Balance Sheet almost all candidates adjusted the fixed assets for depreciation. In the current assets section a number of candidates failed to correctly adjust the debtors figure for provision for doubtful debts. The loan repayments caused problems for a few candidates who failed to enter one quarter of the figure in current liabilities and three quarters in long term liabilities.

Presentation of the above accounts was often in good format, but some candidates failed to underline titles and headings.

- 2 (a) Many candidates were able to correctly produce a Bad Debts Account showing the transfer to the Profit and Loss Account. However, a few reversed the entries or showed the £1,290 as a balance c/d. In the Provision for Doubtful Debts account, entries were sometimes reversed. Candidates failed to gain marks as narratives were incorrect or missing.
- (b) There were many correct answers but some candidates failed to deduct the bad debt from the debtors and the adjustment did not correspond with the provision for doubtful debts account.
- (c) Many candidates were able to evaluate the policies for selling goods on credit and dealing with outstanding debtors, being able to suggest improvements to the existing policies and relate the weaknesses to the outstanding debtor figures provided in the question. A number, however, failed to understand the concept of provision for doubtful debts, suggesting that the credit period was extended to reduce the bad debts.

- 3 (a)** Some candidates were able to provide a correct set of ledger accounts for fixed assets, depreciation and disposals as requested. Most candidates were able to make the opening entries in the fixed asset accounts. The majority of candidates were able to make correct entries in fixed asset accounts for the purchase and disposal of the fixed asset. The depreciation accounts were again generally well completed; a few candidates, however, reversed the entries. The annual depreciation calculation for machinery proved more challenging as it contained two part year calculations, and the office equipment one part year calculation. The disposal accounts were completed to a good standard but common errors included the incorrect calculation of the depreciation on the asset which was sold.
- (b)** Many candidates gained high marks on this section as the majority were able to identify the importance of providing for depreciation in the accounts and related their answers to the relevant concepts. A few, however, failed to understand the requirements of the question and explained the merits of the straight line method and reducing balance method of depreciation.

F002 Financial Accounting

General Comments

Candidates, who were well prepared, were able to achieve satisfactory results. A wide range of abilities was seen with many candidates showing a good understanding. Most candidates were able to attempt all three questions in the time allotted. Despite this, a minority did not complete the balance sheet in Question 2, indicating how important it is to read the instructions and information provided with care.

The spelling of some key accounting terms seemed to cause candidates more difficulty in this examination than in previous ones.

Comments on Individual Questions

- 1
 - (a) Most candidates were able to attempt the Control account. The correct format was widely used and candidates were often able to make the correct adjustments. A few candidates reversed entries. In general, candidates used accurate narratives to accompany the numerical entries.
 - (b) Most candidates found the reconciliation challenging. The majority of candidates commenced the reconciliation with 150, 850 and a few with 126,850. Some well prepared candidates were aware of the relationship between parts (a) and (b) of the question and dealt with the appropriate adjustments. Less well prepared candidates repeated some of the adjustments already made in the control account and also in the reconciliation statement. A few made no attempt at this part of the question.
 - (c) At least one suggestion was made by most candidates with overpayment being a common answer. Well prepared candidates answered this part of the question well. Some candidates commented on the purpose of control accounts which has been tested in previous examinations, but was not the focus in this instance.

- 2
 - (a) The presentation and contents of the Trading Account were well understood and many candidates completed this part of the question correctly. Some candidates, however, omitted the adjustment to purchases for creditors.
 - (b) Most candidates were able to attempt this part of the question, although some omitted the Balance Sheet. Both horizontal and vertical formats were seen. In horizontal format, some candidates appeared confused about the correct side for income and for expenditure and there were some income and expenditure accounts presented as receipts and payments accounts. There was a wide range of presentation and although there were some excellent answers, some candidates did experience difficulties. Common problems were: including capital costs as part of expenditure; failing to net off dinner dance income and expenditure; omitting the bar loss from the income and expenditure account; confusing subscriptions in advance and in arrears in the balance sheet; including the bank overdraft as a current asset and incorrectly calculating the net book value of the boats. Some candidates used a balancing figure for the accumulated balance rather than the one given in the question.
 - (c) Generally well answered. Candidates were able to make a number of suggestions for improvement.

Report on the Units taken in January 2009

- 3 (a)** Candidates generally made a good attempt at this part of the question. It was pleasing to see correct formulae being quoted and some good calculations. However, many candidates did have difficulty in rounding correctly to two decimal places. Some also omitted to state the relationship for the ratios, ie percentage, times and so on.
- (b) (i)** Many candidates made a reasonable attempt at identifying trends and analysing the ratios. Far fewer candidates were able to provide an evaluation and discuss what the trends indicated and comment on inter-relationships between ratios. Some evidence was seen that candidates were aware of 'ideal' ratios.
- (ii)** Candidates were generally able to suggest a course of action for each business. However, the reasons for those suggestions were not generally well developed.

F003 Management Accounting

General Comments

Most candidates were able to complete the paper in the allotted time. For those candidates not completing the paper, lack of knowledge rather than time appeared to be the reason. The candidate entry for the paper was relatively low and there were few outstanding scripts.

Comments on Individual Questions

- 1
 - (a) Most candidates calculated the correct values for sales and variable costs each year. Many, however, lost marks with the incorrect treatment of fixed costs under both marginal and absorption costing methods. Few candidates calculated the correct closing stock for each year end and some did not enter a closing stock value. Some candidates lost marks as a result of arithmetic errors.
 - (b) Many candidates noted that the increase in production each year was not matched by an increase in sales and the subsequent building up of closing stock. Likewise, some candidates noted the impact of increased variable costs against the fixed selling price. Some candidates responded to this part of the question by relating to which costing method should be used in the final accounts, although this was not required.
- 2
 - (a) Few candidates calculated the correct overhead absorption rate under each method. Frequently candidates included direct materials and direct labour as part of the production overhead.
 - (b) Again there were few correct responses. Frequently, candidates prepared one statement only, including the overhead for each method.
 - (c) Few candidates indicated that time based methods are preferred and should be linked to the dominant factors of labour or machining in selecting the appropriate method.
 - (d) Many candidates described the operation of an activity based costing system, rather than discuss its appropriateness.
- 3
 - (a) There were few completely correct budgets, although most candidates were able to gain marks throughout this part of the question. Within the Cash Budget candidates frequently omitted the opening debtors in the calculation of sales receipts for January. The receipts for the remaining months were often correctly calculated. Purchase payments for January and February were frequently correct, although some candidates omitted part of the payment for March. Some candidates entered a redundancy payment for one employee only, rather than three. General expenses and wages were usually correctly entered. The Budgeted Trading and Profit and Loss was well answered by many candidates. Within the Trading Account section some candidates did not enter the correct closing stock value. Many candidates did not enter the wages for the period in the expenses section and some entered depreciation for the full year rather than the budgeted period.
 - (b) This part of the question was well answered by many candidates with varied and creative factors put forward.

F004 Company Accounts and Interpretation

General Comments

Question 1 was generally well answered by the majority of candidates. Questions 2 and 3 were not as well answered. Many candidates were unprepared for a question on journal entries and changes in capital structure.

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 Profit and Loss Account and did not show the costs and expenses under the correct headings. Many weaker candidates failed to calculate the correct decrease in the provision for bad debts of £109 and make an adjustment for the other income of £48 800. Weaker candidates failed to show the correct debtors figure in the Balance Sheet. Some candidates did not show the Preference Shares of £300 000 in the called up share capital.
- 2 (a) Very well answered by high ability candidates. Weaker candidates failed to produce the correct journal entries and many entries were reversed. The majority of candidates could not show the correct journal entry for the proposed dividend. Some candidates did not show the correct entry of £100 000 for the revaluation of land.
- (b) Well answered by high ability candidates. Weaker candidates failed to show the correct changes to both the called up Share Capital and Reserves. Many candidates were unprepared for this type of question.
- (c) Very well answered by the majority of candidates.
- (d) Very well answered by high ability candidates. Weaker candidates failed to state that a bonus issue could be used to dilute the share price of the shares and the demand for shares could increase because of the lower price. The majority of candidates did state that a bonus issue could be used instead of a cash dividend.
- 3 (a) Very well answered by the majority of candidates. There were many excellent answers on the profit ratios and the return on capital employed. Weaker candidates were able to gain marks on this part of the question by stating that Brew was the most profitable company and explaining the ratios. Answers were generally well presented.
- (b) Well answered by some candidates, although many candidates failed to use the correct formula. Many candidates failed to deduct the £8 000 preference dividend to calculate the earnings per share. Interest cover was not calculated at the correct 10.6 times.

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- (c)** Some excellent answers by high ability candidates. Weaker candidates were not prepared for this question and could not state that the EPS shows how much is earned for each ordinary share and the significance to a shareholder. Some candidates confused the EPS with other investor ratios.
- (d)** Generally well answered with many candidates stating topical examples in their answers. Some first class answers on historic cost stated that the figures may be out of date and misleading in the present economic climate.

Grade Thresholds

Advanced GCE (Accounting) (H001, H401)
January 2009 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F001	Raw	100	84	73	63	53	43	0
	UMS	100	80	70	60	50	40	0
F002	Raw	100	76	67	59	51	43	0
	UMS	100	80	70	60	50	40	0
F003	Raw	100	77	67	57	47	37	0
	UMS	100	80	70	60	50	40	0
F004	Raw	100	81	72	63	54	45	0
	UMS	100	80	70	60	50	40	0

Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
H001	200	160	140	120	100	80	0
H401	400	320	280	240	200	160	0

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
H001	11.1	31.7	63.4	82.5	95.2	100.0	80
H401	10.5	42.1	63.2	78.9	94.7	100.0	19

XXXX candidates aggregated this series

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.

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

14 – 19 Qualifications (General)

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

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Telephone: 01223 552552
Facsimile: 01223 552553

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