

GCE Accounting

OCR Advanced Subsidiary GCE in Accounting H011

OCR Advanced GCE in Accounting H411

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specification

Contents

1	About these Qualifications	4
1.1	The Two-Unit AS	4
1.2	The Four-Unit Advanced GCE	4
1.3	Qualification Titles and Levels	4
1.4	Aims	5
1.5	Prior Learning/Attainment	5
2	Summary of Content	6
2.1	AS Units	6
2.2	A2 Units	6
3	Unit Content	7
3.1	AS Unit F011: <i>Accounting Principles</i>	7
3.2	AS Unit F012: <i>Accounting Applications</i>	10
3.3	A2 Unit F013: <i>Company Accounts and Interpretation</i>	15
3.4	A2 Unit F014: <i>Management Accounting</i>	19
4	Schemes of Assessment	23
4.1	AS GCE Scheme of Assessment	23
4.2	Advanced GCE Scheme of Assessment	23
4.3	Unit Order	24
4.4	Unit Options (at AS/A2)	24
4.5	Synoptic Assessment	24
4.6	Assessment Availability	25
4.7	Assessment Objectives	25
4.8	Quality of Written Communication	26
5	Technical Information	27
5.1	Making Unit Entries	27
5.2	Making Qualification Entries	27
5.3	Grading	27
5.4	Result Enquiries and Appeals	28
5.5	Shelf-life of Units	29
5.6	Unit and Qualification Re-sits	29
5.7	Guided Learning Hours	29
5.8	Code of Practice/Subject Criteria/Common Criteria Requirements	29
5.9	Arrangements for Candidates with Particular Requirements	29
5.10	Prohibited Qualifications and Classification Code	30

Contents

6	Other Specification Issues	31
6.1	Overlap with other Qualifications	31
6.2	Progression from these Qualifications	31
6.3	Key Skills Mapping	31
6.4	Spiritual, Moral, Ethical, Social, Legislative, Economic and Cultural Issues	32
6.5	Sustainable Development, Health and Safety Considerations, and European Developments	32
6.6	Avoidance of Bias	33
6.7	Language	33
6.8	Disability Discrimination Act Information Relating to these Specifications	33
Appendix A: Performance Descriptions		34

1 About these Qualifications

This booklet contains OCR's Advanced Subsidiary GCE and Advanced GCE specifications in Accounting for teaching from September 2008.

1.1 The Two-Unit AS

The Advanced Subsidiary GCE is both a 'stand-alone' qualification and also the first half of the corresponding Advanced GCE. The AS GCE is assessed at a standard appropriate for candidates who have completed the first year of study (both in terms of teaching time and content) of the corresponding two-year Advanced GCE course, ie between GCSE and Advanced GCE.

The AS GCE (from September 2008) is made up of **two** mandatory units, which are externally assessed and form 50% of the corresponding four-unit Advanced GCE.

The AS GCE Accounting specification gives an introduction to the concepts and principles that underlie accounting theory and practice; and expands their application to a range of accounting situations. It provides a discrete package of material, providing those candidates who do not wish to progress to A2 with a knowledge and understanding of accounting principles and techniques applicable to the business environment.

1.2 The Four-Unit Advanced GCE

The Advanced GCE (from September 2008) is made up of the **two** mandatory units at AS and **two** further mandatory units at A2. These A2 units are also externally assessed.

The A2 part of the Advanced GCE Accounting specification incorporates a greater depth of knowledge across a wide range of business situations.

1.3 Qualification Titles and Levels

These qualifications are shown on a certificate as:

- OCR Advanced Subsidiary GCE in Accounting.
- OCR Advanced GCE in Accounting.

Both qualifications are Level 3 in the National Qualification Framework (NQF).

1.4 Aims

The aims of these specifications are to enable candidates to:

- develop an understanding of the importance of effective accounting information systems and an awareness of their limitations through a critical consideration of current financial issues and modern business practices;
- develop an understanding of the purposes, principles, concepts and techniques of accounting;
- develop the transferable skills of numeracy, communication, ICT, application, presentation, interpretation, analysis and evaluation in an accounting context;
- develop an appreciation of the effects of economic, legal, ethical, social, environmental and technological influences on accounting decisions;
- develop a capacity for methodical and critical thought, which would serve as an end in itself as well as a basis for further study of accounting and other subjects.

1.5 Prior Learning/Attainment

Previous study of accounting is not a requirement; but candidates who have previously studied qualifications such as OCR NVQ Level 2 Accounting, OCR Computerised Accounting Stage II or OCR Accounting Stage II, may find these specifications provide a progression of study. Equally, candidates studying GCE Accounting may use OCR Computerised Accounting Stage I or II as a means of certification of practical accounting skills using ICT.

2 Summary of Content

2.1 AS Units

Unit F011: *Accounting Principles*

- Introduction to Accounting Principles
- The Trial Balance
- Accounting Concepts
- Classification of Expenditure
- Changing Asset Values
- Ledger Entries and Adjustments
- Final Accounts

Unit F012: *Accounting Applications*

- The Journal
- Correction of Errors
- Control Accounts
- Accounting Adjustments and Statements
- Organisations
- Sole Trader
- Partnership
- Clubs and Societies
- Analysis and Evaluation of Accounting Statements
- An Introduction to Budgeting
- ICT in Accounting

2.2 A2 Units

Unit F013: *Company Accounts and Interpretation*

- The Preparation of Final Accounts for Limited Companies
- Financing
- The Role of Accounting Standards
- Analysis and Interpretation of Accounts

Unit F014: *Management Accounting*

- Budgeting and Budgetary Control
- Standard Costing and Variance Analysis
- Capital Expenditure Appraisal
- Stock
- Costing and Decision-making
- Costing Applications
- Social Responsibility

3 Unit Content

3.1 AS Unit F011: *Accounting Principles*

Introduction to Accounting Principles

The Role of Accounting

Candidates should be able to:

- illustrate the need to record, summarise, analyse and communicate accounting information for internal and external use;
- explain the role of accounting as a means of analysing, monitoring and controlling performance; and as an aid to planning and decision-making.

The Accounting Equation

Candidates should be able to:

- explain that $\text{Assets} = \text{Capital} + \text{Liabilities}$;
- apply the accounting equation.

The Double-entry System of Bookkeeping

Candidates should be able to:

- outline the double-entry bookkeeping system;
- process accounting data using the double-entry model;
- evaluate the usefulness of the double-entry bookkeeping system.

The Cash Book

Candidates should be able to:

- identify the purpose of the two-column Cash Book;
- process accounting data in the two-column Cash Book;
- differentiate between cash and trade discounts;
- identify the purpose of the three-column Cash Book;
- process accounting data in the three-column Cash Book;
- post the ledger entries from the Cash Book.

The Trial Balance

Content and Purpose

Candidates should be able to:

- outline the content and purpose of the Trial Balance.

Accounting Concepts

The Recognition and Application of Accounting Concepts

Candidates should be able to:

- outline the concepts of going concern, accruals, prudence, consistency, cost, materiality, business entity, money measurement, realisation and dual aspect;
- apply the concepts of going concern, accruals, prudence, consistency, cost, materiality, business entity, money measurement, realisation and dual aspect.

Classification of Expenditure

Capital and Revenue Expenditure

Candidates should be able to:

- define capital expenditure;
- define revenue expenditure;
- distinguish between capital and revenue expenditure;
- explain the importance of the accounting treatment of capital and revenue expenditure;
- calculate and evaluate the effect on profit and asset valuation of incorrect treatment of capital and revenue expenditure;
- apply and explain relevant accounting concepts.

Changing Asset Values

Reasons for Accounting for Depreciation

Candidates should be able to:

- define depreciation;
- explain the terminology used in accounting for depreciation, ie cost, useful asset life, residual (scrap) value;
- explain the reasons for accounting for depreciation;
- explain the application of relevant accounting concepts.

The Causes of Depreciation

Candidates should be able to:

- comment upon the following causes of depreciation: physical deterioration, economic factors, obsolescence, depletion and the passage of time.

Methods of Calculating Depreciation

Candidates should be able to:

- explain depreciation methods, ie reducing balance and straight line;
- calculate depreciation using reducing-balance and straight-line methods;
- select and evaluate the most appropriate method of calculating depreciation;
- calculate profit or loss on the disposal of fixed assets;
- apply and explain relevant accounting concepts;
- outline, analyse and discuss the problems involved in accounting for depreciation.

Accounting Entries for Depreciation

Candidates should be able to:

- prepare ledger accounts for fixed assets, depreciation and disposal;
- prepare Profit and Loss Account extracts for depreciation;
- prepare Balance Sheet extracts for fixed assets and depreciation.

Ledger Entries and Adjustments

Accruals and Prepayments

Candidates should be able to:

- explain accruals and prepayments;
- discuss the reasons for accounting for accruals and prepayments;
- make entries in the ledger accounts to record accrued and prepaid expenses;
- make entries in the ledger accounts to record accrued and prepaid revenues;
- prepare Balance Sheet extracts for accruals and prepayments.

Bad Debts and the Provision for Doubtful Debts

Candidates should be able to:

- explain bad debts and provision for doubtful debts;
- explain and apply the factors used in determining the provision for doubtful debts;
- calculate bad debts and provision for doubtful debts;
- make entries in the ledger accounts to write off bad debts, and to make and adjust a provision for doubtful debts;
- explain and use information from an Aged Debtors Schedule;
- prepare Profit and Loss Account extracts for bad debts and provision for doubtful debts;
- prepare Balance Sheet extracts for debtors and provision for doubtful debts;
- outline procedures for, and explain the importance of, monitoring and control of debtors;
- evaluate credit control policies;
- apply and explain relevant accounting concepts.

Final Accounts

Sole Trader

Candidates should be able to:

- prepare a Trading Account showing the calculation of gross profit incorporating: sales; sales returns; purchases and purchase returns; carriage on purchases; opening and closing stocks; adjustment for drawings of goods; cost of sales; and gross profit;
- prepare a Profit and Loss Account showing the calculation of net profit or loss;
- make adjustments incorporating: expenses; discounts received and allowed; provisions for depreciation; bad debts and provisions for doubtful debts; prepayments and accruals; drawings other than goods; revenues other than sales; and net profit or loss;
- prepare a Balance Sheet incorporating: fixed assets, current assets, current liabilities, working capital, long-term liabilities, and capital;
- apply, explain and assess the usefulness of relevant accounting concepts.

*Note: In the examination, questions will **not** be set on final accounts in the services sector.*

3.2 AS Unit F012: *Accounting Applications*

The Journal

Purpose and Accounting Entries

Candidates should be able to:

- identify the purpose of the Journal;
- make entries in the Journal to record fixed assets, depreciation and disposal;
- make entries in the Journal to write off bad debts and provision for doubtful debts.

Correction of Errors

Types of Errors

Candidates should be able to:

- identify and explain those errors which do not affect the Trial Balance: omission, commission, principle, compensating, original entry and reversal.

Corrections of Errors not affecting the Trial Balance

Candidates should be able to:

- make journal entries supporting the correction of errors;
- prepare a statement of revised profit;
- prepare revised Balance Sheet extracts;
- explain the effect of errors on financial statements;
- apply and explain relevant accounting concepts.

Correction of Errors including the Suspense Account

Candidates should be able to:

- make journal entries supporting the correction of errors;
- make ledger entries to correct errors;
- open and post entries to a Suspense Account, where appropriate;
- apply and explain relevant accounting concepts.

The Effect of Errors on Reported Profits

Candidates should be able to:

- prepare a statement of revised profit;
- prepare revised Balance Sheet extracts;
- explain the effect of errors on financial statements.

Control Accounts

The Purposes of Control Accounts

Candidates should be able to:

- explain the subdivision of the ledger;
- explain that control accounts are an independent check on the sales and purchases ledgers;
- explain that control accounts may be used to provide totals of debtors and creditors, locate errors, and act as a deterrent against fraud;
- identify and explain entries in control accounts.

Control Accounts (continued)

The Preparation of Control Accounts for Debtors and Creditors

Candidates should be able to:

- identify the purpose of the following books of prime (original) entry: Sales Journal, Purchases Journal, Sales Returns Journal, and Purchases Returns Journal;
- recognise and use the books of prime (original) entry, including the Cash Book and the Journal, as sources of information for the entries in control accounts;
- enter the following items into the relevant control account: sales and purchases, receipts and payments, discounts, returns, bad debts, dishonoured cheques, interest on overdue accounts, contra entries, refunds, and opening and closing balances (debit and credit within each account);
- prepare a Schedule of Debtors;
- prepare a Schedule of Creditors.

The Correction of Errors in Control Accounts

Candidates should be able to:

- prepare a revised control account;
- prepare a reconciliation statement of the control account(s) balance with the schedule(s) of debtors or creditors.

Accounting Adjustments and Statements

Incomplete Records

Candidates should be able to:

- prepare a statement of affairs for a sole trader;
- calculate profit/loss from change in capital over time;
- compute sales and purchases figures;
- apply the following techniques to arrive at missing figures: mark-up, margin and stock turnover;
- adjust cash and bank balances;
- prepare final accounts for a sole trader;
- evaluate the problems of inadequate record-keeping for a sole trader;
- apply, explain and assess the usefulness of relevant accounting concepts.

Accounting Adjustments

Candidates should be able to:

- define cost and net realisable value according to accounting standards;
 - apply the principle of the lower of cost and net realisable value;
 - calculate the value of closing stock when stock-taking takes place after the financial year end;
 - calculate the revised net profit on a change in the method of depreciation.
-

Organisations

Types of Organisation

Candidates should be able to:

- outline the principles of ownership and purpose of the following types of organisations: sole trader, partnerships, non-profit making organisations, private limited companies and public limited companies;
- evaluate the advantages and disadvantages of different types of organisations;
- outline the capital structures of the differing types of organisation;
- distinguish between owner's capital and loans made to the business;
- outline the different treatments of profit and loss, surplus and deficit.

Sole Trader

Final Accounts of Sole Traders

Candidates should be able to:

- differentiate between a trading and a service business;
- prepare Trading and Profit and Loss Accounts, and Balance Sheets;
- make accounting adjustments;
- apply, explain and assess the usefulness of relevant accounting concepts.

Partnership

Final Accounts of Partnerships

Candidates should be able to:

- prepare Trading and Profit and Loss and Appropriation Accounts, and Balance Sheets;
- make accounting adjustments;
- account for the appropriation of profits and losses in accordance with the Partnership Agreement;
- explain fixed and fluctuating Capital Accounts;
- prepare partners' Capital and Current Accounts;
- apply the provisions of the Partnership Act 1890 Section 24 (or as subsequently amended) insofar as it concerns interest on loans, capitals and drawings, partners' salaries and the division of profits and losses;
- account for a change in the profit-sharing ratio.

Revaluation and Goodwill

Candidates should be able to:

- explain the concept of goodwill;
 - account for the revaluation of assets;
 - account for the introduction of a new partner, including the valuation and treatment of goodwill;
 - apply, explain and assess the usefulness of relevant accounting concepts.
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Clubs and Societies

Final Accounts of Clubs and Societies

Candidates should be able to:

- calculate the accumulated fund;
- prepare accounts for the following: receipts and payments, bar trading, subscriptions, and other trading and fundraising activities;
- prepare Income and Expenditure Accounts and Balance Sheets;
- make accounting adjustments;
- apply, explain and assess the usefulness of relevant accounting concepts.

Analysis and Evaluation of Accounting Statements

Analysis and Evaluation of Accounting Information

Candidates should be able to:

- compare and contrast the financial statements of differing types of organisation;
- analyse and evaluate the results and implications of organisational decisions;
- use accounting information to assist with problem-solving and decision-making.

Purpose and Application of Ratios

Candidates should be able to:

- apply and comment upon the use of ratio analysis in appraising profitability and liquidity.

Calculation and Interpretation of Ratios

Candidates should be able to:

- calculate ratios to assess profitability and liquidity;
- calculate the following specific ratios: return on capital employed; gross profit and net profit as a percentage of sales; current ratio; liquid (acid test) ratio; and stock turnover;
- analyse and evaluate business performance from accounting statements using the above ratios.

An Introduction to Budgeting

An Introduction to Budgeting

Candidates should be able to:

- explain the role and purpose of budgeting;
- evaluate the benefits of budgeting;
- prepare a cash budget.

*Note: In the examination, questions will **not** be set requiring the application of discounts to sales and purchases.*

The Impact of ICT

Candidates should be able to:

- identify and explain the following advantages of ICT in Accounting: speed, accuracy, volume of data processing, storage and security;
- identify and explain the following disadvantages of ICT in Accounting: cost, training, technical problems, operator error and security;
- evaluate the usefulness of ICT in Accounting to a business.

*Note: In the examination, candidates will **not** be required to use ICT.*

3.3 A2 Unit F013: *Company Accounts and Interpretation*

The Preparation of Final Accounts for Limited Companies

Manufacturing Organisations

Candidates should be able to:

- calculate, identify and explain the following: prime cost; factory overheads; work-in-progress and production cost;
- apportion costs in final accounts;
- prepare Manufacturing, Trading and Profit and Loss Accounts, and Balance Sheets;
- make accounting adjustments;
- account for manufacturing profit and the elimination of unrealised profit from stocks of unsold finished goods;
- apply, explain and assess the usefulness of relevant accounting concepts.

Final Accounts for Internal Use

Candidates should be able to:

- prepare Trading and Profit and Loss Accounts, Appropriation Accounts and Balance Sheets;
- analyse and evaluate the significance of the information contained within the final accounts;
- apply, explain and assess the usefulness of relevant accounting concepts.

Final Accounts for Publication

Candidates should be able to:

- prepare Profit and Loss Accounts and Balance Sheets according to the Companies Act 1985 Format 1 (or as subsequently amended);
- prepare Schedules of Fixed Assets;
- explain the role of the Auditor, including the importance of the Auditors' Report;
- analyse and evaluate the significance of the information contained within the final accounts;
- apply, explain and assess the usefulness of relevant accounting concepts;
- compare and contrast final accounts for internal use and for publication.

Note: In the examination, taxation will be examined only as entries in final accounts.

Cash Flow Statements

Candidates should be able to:

- explain the purpose of Cash Flow Statements;
- prepare Cash Flow Statements (indirect method), as required by Financial Reporting Standards 1 (FRS 1) Cash Flow Statements (revised) (or as subsequently amended);
- prepare the note to the Cash Flow Statement reconciling operating profit to net cash flow from operating activities;
- analyse and evaluate the significance of information within Cash Flow Statements.

Financing

Reserves, Provisions and Liabilities

Candidates should be able to:

- explain the differences between reserves, provisions and liabilities;
- explain the distinctions between capital and revenue reserves;
- explain the creation and application of the following reserves: share premium, revaluation reserve, capital redemption reserve, profit and loss, and general reserve.

Types of Finance

Candidates should be able to:

- explain the principles of the main types of share capital: ordinary shares and preference shares (cumulative, non-cumulative, participating and redeemable);
- outline the principles of overdrafts; trade credit and factoring; loans and debentures; grants from public funds (regional, national and European); and operating and finance leases;
- compare and contrast types of finance available;
- recommend and justify sources of finance for specified purposes.

Accounting for Changes in Capital Structure

Candidates should be able to:

- explain authorised, issued and called-up share capital;
- discuss the principles of, and differences between, rights and bonus issues;
- prepare journal entries and ledger accounts to record: the issue of shares including ordinary share capital, share premium, shares payable in full on application or by instalments, calls in arrears, calls in advance, bonus issues and rights issues;
- show the effect on the Balance Sheet of changes in capital structure.

*Note: In the examination, questions will **not** be set requiring knowledge of forfeiture of shares or purchase of own shares.*

The Role of Accounting Standards

The Purposes of Accounting Standards

Candidates should be able to:

- outline, explain and assess the purposes of accounting standards.

*Note: Candidates are required to have a general knowledge of the importance of, and influence on, financial reporting of accounting standards. They do **not** require a detailed knowledge of the accounting standards specified below.*

Standards

Candidates should be able to:

- give a general outline of the content and application of the following accounting standards (or as subsequently amended):
 - Stocks:** Stock valued at the lower of cost and net realisable value (currently **SSAP 9**);
 - Research and Development:** Distinctions between research and development; pure and applied research; research costs written off to Profit and Loss Account; development costs may be capitalised (currently **SSAP 13**);
 - Tangible fixed assets:** Depreciation; principles of accounting for tangible fixed assets (currently **FRS 15**);
 - Accounting policies:** Disclosure of accounting policies; the importance of relevance, reliability, comparability and understandability (currently **FRS 18**).

Note: During the process of convergence of UK accounting standards with international financial reporting standards it is anticipated that the above will be revised. Centres will be advised when new financial reporting standards will be expected to be used by the candidates in the examinations.

Analysis and Interpretation of Accounts

Users of Corporate Reports

Candidates should be able to:

- critically analyse and discuss the differing requirements for information of user groups;
- explain the particular areas of interest of management, shareholders, employees, potential investors, creditors, Government, public and environmental groups.

Purposes and Limitations of Ratios

Candidates should be able to:

- explain the application of ratios in appraising performance, financial stability and investment performance;
- assess the appropriateness of particular ratios for different users and user needs;
- discuss the difficulties of ratio comparisons and limitations of their use.

Analysis and Interpretation of Accounts (continued)

Calculation of Ratios

Candidates should be able to:

- calculate ratios to assess profitability, liquidity, capital structure and investment;
- calculate the following specific ratios: return on capital employed, gross profit and net profit ratios as a percentage of turnover, sales to capital employed, expense ratios, sales to fixed assets, current ratio, liquid (acid test) ratio, stock turnover, debtor collection period, creditor payment period, earnings per share, dividend yield, dividend cover, interest cover, price earnings ratio, gearing.

Analysis and Interpretation of Accounting Information

Candidates should be able to:

- present, analyse, interpret and evaluate accounting information for use in decision-making by user groups;
- compare and assess the results of inter-firm comparisons and trend analyses.

Limitations of Accounting Information

Candidates should be able to:

- comment critically on the limitations of accounting information;
 - assess the difficulties of comparison presented by subjectivity, time lapse, monetary measurement, external factors.
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3.4 A2 Unit F014: *Management Accounting*

Budgeting and Budgetary Control

The Purpose of Budgeting

Candidates should be able to:

- explain the purpose of budgeting as a management tool in planning and control;
- evaluate budgeting as a management tool in planning and control.

The Preparation of Budgets

Candidates should be able to:

- explain the stages involved in establishing and maintaining a budgetary control system;
- prepare a Cash Budget, including the application of discounts to sales and purchases;
- prepare a budgeted Trading and Profit and Loss Account, and Balance Sheet.

Budget Analysis

Candidates should be able to:

- analyse and explain budgets and variances;
- analyse and evaluate the behavioural aspects of budgeting;
- evaluate the advantages and limitations of a budgetary control system.

Standard Costing and Variance Analysis

Candidates should be able to:

- explain the purpose of standard costing;
- explain the stages involved in establishing and maintaining a standard costing system;
- outline types of standards, ie the ideal and attainable;
- calculate and explain the following variances: material variances (price and usage); labour variances (rate and efficiency); sales margin variances (volume and price); total fixed overhead variance; and total variable overhead variance;
- prepare reconciliation statements for budgeted and actual profit, budgeted and actual costs, and budgeted and actual sales;
- explain and analyse variances;
- explain the interrelationships between variances;
- evaluate the advantages and limitations of a standard costing system.

*Note: In the examination, questions will **not** be set requiring the calculation of any overhead sub-variances or sales mixture variances.*

Capital Expenditure Appraisal

Techniques

Candidates should be able to:

- calculate and explain net cash flows, payback period, accounting rate of return and net present value;
- explain and apply the correct treatment of sunk costs;
- analyse and evaluate capital expenditure proposals.

*Note: In the examination, questions will **not** be set requiring the calculation of discount factors. Extracts from suitable tables will be provided where necessary.*

Appraisal

Candidates should be able to:

- evaluate capital expenditure proposals;
- evaluate the advantages and limitations of appraisal methods;
- assess the significance of non-financial factors.

*Note: In the examination, questions will **not** be set requiring knowledge of the taxation implications of investment.*

Stock

The Valuation of Stock

Candidates should be able to:

- calculate closing stock valuations using first in, first out (FIFO) and last in, last out (LIFO) methods (perpetual and periodic);
- calculate the effect of different methods of stock valuation on profit and the stock valuation in the Balance Sheet;
- outline the characteristics of, and evaluate the appropriateness of, FIFO, LIFO and average cost of stock (AVCO);
- apply and explain relevant accounting concepts.

Stock Management

Candidates should be able to:

- explain and evaluate the principles of Just in Time and Economic Order Quantity;
- explain and evaluate the usefulness of ICT in the management and valuation of stock.

*Note: In the examination, computational questions will **not** be set on Just in Time and Economic Order Quantity.*

Costing and Decision-making

Cost Behaviour

Candidates should be able to:

- identify and explain fixed, variable and semi-variable costs, stepped costs, total costs and unit costs.

Cost-Volume-Profit Analysis

Candidates should be able to:

- explain and apply the concept of contribution;
- apply the contribution concept to the calculation of sales, cost and profit data;
- explain and calculate break-even point, contribution to sales ratio and margin of safety;
- prepare break-even graphs and contribution to sales (profit/volume) graphs;
- evaluate the advantages and limitations of cost-volume-profit analysis;
- evaluate cost-volume-profit data;
- assess the significance of non-financial factors.

Marginal Costing and Accounting for Decision-making

Candidates should be able to:

- prepare marginal cost statements;
- prepare Profit and Loss statements;
- apply marginal costing in decision-making for the acceptance of special orders, make or buy policy and discontinuing a product or service;
- calculate the most profitable option when there is a limiting factor;
- evaluate the limitations of marginal costing for decision-making;
- analyse the effects of changes in sales volume, selling price and costs on the break-even point and profits;
- analyse and evaluate cost and profit statements;
- assess the significance of non-financial factors.

Absorption (Total) Costing

Candidates should be able to:

- classify direct and indirect material and labour costs, other direct expenses, overhead expenditure;
 - allocate and apportion overhead expenditure between production and service departments using the elimination method;
 - calculate overhead absorption rates;
 - explain and account for under- and over-absorption of overheads;
 - evaluate the usefulness of absorption (total) costing;
 - prepare cost statements.
-

Costing and Decision-making (continued)

Comparison of Costing Methods

Candidates should be able to:

- compare, contrast and evaluate marginal costing and absorption costing methods and outcomes;
- calculate the value of stock using marginal and absorption costing techniques and the resulting effect on profit.

Activity-based Costing

Candidates should be able to:

- explain briefly the principles of cost drivers and cost pools;
- outline the principle of charging support overheads to products;
- evaluate the limitations of activity-based costing.

*Note: In the examination, computational questions will **not** be set on activity-based costing.*

Costing Applications

Contract Costing

Candidates should be able to:

- outline the characteristics of contract costing;
- prepare Contract Accounts;
- calculate interim profit or loss;
- apply, explain and assess the usefulness of relevant accounting concepts;
- assess the significance of non-financial factors.

Job and Batch Costing

Candidates should be able to:

- outline the characteristics of job and batch costing;
- calculate job and batch costs;
- prepare Profit and Loss statements.

Social Responsibility

The Social Implications of Decision-making

Candidates should be able to:

- assess the significance of non-financial factors;
- discuss and evaluate the implications of the outcomes of accounting with particular reference to the effects on, and influence of, the labour force, the organisation, the local economy, suppliers, the wider community, the environment, Government, the European Union (EU) and the consumer;
- evaluate the social and ethical implications of the outcomes of accounting for decision-making;
- discuss the social, moral and ethical implications of the outcomes of accounting for decision-making with reference to the labour force, the organisation, the local economy, customers, the local community, the environment, and health and safety aspects.

4 Schemes of Assessment

4.1 AS GCE Scheme of Assessment

AS GCE Accounting (H011)

AS Unit F011: *Accounting Principles*

40% of the total AS GCE marks
1h written paper
80 marks

This question paper has a similar format to that of Unit F012 but contains only two questions. It contains numerical questions and questions requiring answers in continuous prose.

Candidates answer **both** questions.

AS Unit F012: *Accounting Applications*

60% of the total AS GCE marks
2h written paper
120 marks

This question paper has a similar format to that of Unit F011. It contains numerical questions and questions requiring answers in continuous prose.

Candidates answer all **four** questions.

4.2 Advanced GCE Scheme of Assessment

Advanced GCE Accounting (H411)

AS Units as above, Unit F011 making up 20% of the total Advanced GCE marks, and Unit F012 30% of the total Advanced GCE marks.

A2 Unit F013: *Company Accounts and Interpretation*

20% of the total Advanced GCE marks
1.5h written paper
80 marks

This question paper has a similar format to that of Unit F014. It contains numerical questions and questions requiring answers in continuous prose.

Candidates answer all **three** questions.

This unit contains a synoptic element.

A2 Unit F014: *Management Accounting*

30% of the total Advanced GCE marks
2h written paper
120 marks

This question paper has a similar format to that of Unit F013. It contains numerical questions and questions requiring answers in continuous prose.

Candidates answer all **four** questions.

This unit contains a synoptic element.

4.3 Unit Order

The normal order in which the unit assessments could be taken is AS Units F011 and F012 in the first year of study, leading to an AS GCE award; then A2 Units F013 and F014, leading to the Advanced GCE award. However, the unit assessments may be taken in any order.

Alternatively, candidates may take all unit assessments at the end of their AS GCE or Advanced GCE course in a 'linear' fashion.

4.4 Unit Options (at AS/A2)

There are no optional units in these specifications.

For AS GCE Accounting, candidates take AS Units F011 and F012.

For Advanced GCE Accounting, candidates take AS Units F011 and F012 and A2 Units F013 and F014.

4.5 Synoptic Assessment

Synoptic assessment tests the candidates' understanding of the connections between the different elements of the subject, in particular:

- candidates should understand the purposes and concepts of accounting, be able to apply these concepts and to prepare, analyse and evaluate accounting records and statements;
- the emphasis in synoptic assessment should be on candidates' ability to think as accountants and to use effectively the accountant's 'tool kit' of concepts, theories and techniques in familiar and unfamiliar situations.

Synoptic assessment is included both in A2 Unit F013 *Company Accounts and Interpretation* and in Unit F014 *Management Accounting*.

Budgeting and the social implications of decision-making pre-suppose the knowledge and understanding acquired in AS Unit F011 *Accounting Principles* and AS Unit F012 *Accounting Applications*. Accounting concepts and conventions from these units are used and developed in A2 Unit F013 *Company Accounts and Interpretation* and A2 Unit F014 *Management Accounting*.

Costing pre-supposes the knowledge and understanding acquired in AS Units F011 and F012. Accounting concepts and conventions from these units are used and developed in A2 Units F013 and F014.

The preparation, understanding and interpretation of the accounts of limited companies pre-supposes the knowledge and understanding acquired in AS Units F011 and F012. Accounting concepts and conventions from these units are used and developed in A2 Units F013 and F014. Similarly, interpretation and analysis is dependent upon a thorough understanding of the accounting principles and practice acquired in the earlier units; and an appreciation of both the integrated nature of the topics covered throughout the Advanced GCE specification and the overall limitations of accounting information.

4.6 Assessment Availability

There are **two** examination series each year, in January and June.

In 2009, only AS units will be assessed.
From 2010 both AS units and A2 units will be assessed.

4.7 Assessment Objectives

There are three assessment objectives: AO1, AO2 and AO3.

Candidates are expected to demonstrate the following (in the context of the content described):

- **AO1 Demonstrate knowledge and understanding** – to demonstrate knowledge and understanding of accounting principles, concepts and techniques;
- **AO2 Application** – to select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations;
- **AO3 Analysis and evaluation** – to order, interpret and analyse accounting information in an appropriate format. Evaluate accounting information, taking into consideration internal and external factors to make reasoned judgements, decisions and recommendations, and assess alternative courses of action using an appropriate form and style of writing.

AO weightings in AS GCE

Unit	% of AS GCE			Total
	AO1	AO2	AO3	
AS Unit F011: <i>Accounting Principles</i>	12	18	10	40%
AS Unit F012: <i>Accounting Applications</i>	18	27	15	60%
	30%	45%	25%	100%

AO weightings in Advanced GCE

Unit	% of Advanced GCE			Total
	AO1	AO2	AO3	
AS Unit F011: <i>Accounting Principles</i>	6	9	5	20%
AS Unit F012: <i>Accounting Applications</i>	9	13.5	7.5	30%
A2 Unit F013: <i>Company Accounts and Interpretation</i>	5	9	6	20%
A2 Unit F014: <i>Management Accounting</i>	7.5	13.5	9	30%
	27.5%	45%	27.5%	100%

4.8 Quality of Written Communication

Quality of Written Communication is assessed in all question papers where candidates are required to produce extended written material and where candidates are required to select, compute and present information in an appropriate accounting format. Credit may be restricted if communication is unclear.

In *numerical* responses where the tabular presentation of accounting information is required, candidates will:

- select and use a form and style of presentation that is appropriate to the purpose and to complex subject matter;
- organise relevant information clearly and coherently, using specialist accounting conventions when appropriate;
- ensure that terms and figures are legible and accurately laid out so that the meaning is clear.

In *narrative* responses where extended prose is required, candidates will:

- ensure that text is legible and that spelling, punctuation and grammar are accurate so that the meaning is clear;
- select and use a form and style of writing appropriate to the purpose and complex subject matter;
- organise information clearly and coherently, using specialist vocabulary when appropriate.

Quality of Written Communication is awarded marks in **one** numerical question/sub-question and in **one** narrative question/sub-question in each paper. These questions/sub-questions are asterisked (*) and this annotation is explained in the rubric on the cover of each paper.

The assessment of *Quality of Written Communication* is specifically required within Assessment Objective 3 (see AO3 in sub-section 4.7). However, across the two questions/sub-questions in each paper where *Quality of Written Communication* is awarded marks, all three assessment objectives are assessed.

5 Technical Information

5.1 Making Unit Entries

Please note that centres must be registered with OCR in order to make any entries, including estimated entries. It is recommended that centres apply to OCR to become a registered centre well in advance of making their first entries.

It is essential that unit entry codes (the four-figure alpha-numeric codes given in brackets at the end of the unit title) are quoted in all correspondence with OCR. See Sections 4.1 and 4.2 for these unit entry codes.

5.2 Making Qualification Entries

Candidates must enter for qualification certification separately from unit assessment(s). If a certification entry is **not** made, no overall grade can be awarded.

Candidates may enter for:

- AS GCE certification (entry code H011).
- Advanced GCE certification (entry code H411).

A candidate who will have completed all the units required for the qualification may enter for certification either in the same examination series *or* within a specified period after publication of results *or* in a later series.

AS GCE certification is available from June 2009.
Advanced GCE certification is available from June 2010.

5.3 Grading

All GCE units are awarded a-e. The Advanced Subsidiary GCE is awarded on the scale A-E. The Advanced GCE is awarded on the scale A-E with access to an A*. To be awarded an A*, candidates will need to achieve a grade A on their full A level qualification and an A* on the aggregate of their A2 units. Grades are reported on certificates. Results for candidates who fail to achieve the minimum grade (E or e) will be recorded as *unclassified* (U or u) and this is **not** certificated.

A Uniform Mark Scale (UMS) enables comparison of candidates' performance across units and across series and enables candidates' scores to be put on a common scale for aggregation purposes. The two-unit AS GCE has a total of 200 *uniform* marks and the four-unit Advanced GCE has a total of 400 *uniform* marks.

OCR converts each raw mark for each unit to a uniform mark. The maximum *uniform* mark for any unit depends on that unit's weighting in the specification. In these Accounting specifications, the four units of the Advanced GCE specification have the following UMS weightings.

Unit Title	Weighting	Max Uniform Mark
AS Unit F011: <i>Accounting Principles</i>	20%	80
AS Unit F012: <i>Accounting Applications</i>	30%	120
A2 Unit F013: <i>Company Accounts and Interpretation</i>	20%	80
A2 Unit F014: <i>Management Accounting</i>	30%	120

Each unit's *raw* mark grade boundary equates to the *uniform* mark boundary at the same grade. Intermediate marks are converted on a pro rata basis.

Uniform marks correspond to *unit* grades as follows:

(Advanced GCE) Unit Weighting	Maximum Unit Uniform Mark	Unit Grade					
		a	b	c	d	e	u
30%	120	120–96	95–84	83–72	71–60	59–48	47–0
20%	80	80–64	63–56	55–48	47–40	39–32	31–0

OCR adds together the unit *uniform* marks and compares these to pre-set boundaries (see the table below) to arrive at *qualification* grades.

Total *uniform* marks correspond to *qualification* grades as follows:

Qualification	Qualification Grade					U
	A	B	C	D	E	
AS GCE	200–160	159–140	139–120	119–100	99–80	79–0
Advanced GCE	400–320	319–280	279–240	239–200	199–160	159–0

Candidates achieving at least 320 UMS marks in their Advanced GCE, ie grade A, and who also gain at least 180 UMS in their two A2 units, will receive an A* grade.

5.4 Result Enquiries and Appeals

Under certain circumstances, a Centre may wish to query the grade available to one or more candidates or to submit an appeal against an outcome of such an enquiry. Enquiries about unit results must be made immediately following the series in which the relevant unit was taken.

For procedures relating to enquiries on results and appeals, Centres should consult the *OCR Administration Guide for General Qualifications* and the document *Enquiries about Results and Appeals: Information and Guidance for Centres* produced by the Joint Council. Further copies of the most recent edition of this paper can be obtained from OCR.

5.5 Shelf-life of Units

Individual unit results, prior to certification of the qualification, have a shelf-life limited only by that of the qualification.

5.6 Unit and Qualification Re-sits

There is no restriction on the number of times a candidate may re-sit each unit before entering for certification for an AS GCE or Advanced GCE.

Candidates may enter for the full qualifications an unlimited number of times.

5.7 Guided Learning Hours

AS GCE Accounting requires **180** guided learning hours in total.
Advanced GCE Accounting requires **360** guided learning hours in total.

5.8 Code of Practice/Subject Criteria/Common Criteria Requirements

These specifications comply in all respects with the revised *GCSE, GCE, GNVQ and AEA Code of Practice* as available on the QCA website; the subject criteria for GCE Accounting, 2006; and *The Statutory Regulation of External Qualifications 2004*.

5.9 Arrangements for Candidates with Particular Requirements

For candidates who are unable to complete the full assessment or whose performance may be adversely affected through no fault of their own, teachers should consult the *Access Arrangements and Special Consideration: Regulations and Guidance Relating to Candidates who are Eligible for Adjustments in Examinations* produced by the Joint Council. In such cases, advice should be sought from OCR as early as possible during the course.

5.10 Prohibited Qualifications and Classification Code

Candidates who enter for the OCR GCE specifications may not also enter for any other GCE specification with the certification title *Accounting* in the same examination series.

Every specification is assigned to a national classification code indicating the subject area to which it belongs.

Centres should be aware that candidates who enter for more than one GCE qualification with the same classification code will have only one grade (the highest) counted for the purpose of the School and College Achievement and Attainment Tables.

The classification code for these specifications is 7410.

6 Other Specification Issues

6.1 Overlap with other Qualifications

Overlap with Advanced GCE Applied Business

Advanced GCE Accounting has links with the Advanced GCE Applied Business' finance pathway units. These involve the development of financial planning and financial management skills. Candidates use accounting techniques to evaluate financial performance.

Overlap with Advanced GCE Business Studies

Advanced GCE Accounting overlaps with the Advanced GCE Business Studies unit *Further Accounting and Finance*.

Overlap with NVQ Accounting Level 3

The teaching and learning process for Advanced GCE Accounting provides opportunities for candidates to develop knowledge and understanding that would underpin NVQ Accounting Level 3 (Code 1222). Candidates will, however, require work-based portfolio evidence of competency to gain the NVQ qualification. Centres are recommended to refer to the OCR Accounting Level 3 NVQ Scheme Book for guidance.

6.2 Progression from these Qualifications

These specifications provide an excellent foundation for further study of accountancy at pre-professional and professional levels. Candidates wishing to pursue a wide range of careers in business management will find the *management accounting* and *reporting and interpretation* skills of great benefit.

6.3 Key Skills Mapping

These specifications provide *opportunities* for the development of the Key Skills of *Communication, Application of Number, Information Technology, Working with Others* and *Problem Solving* at Levels 2 and/or 3. However, the extent to which this evidence fulfils the Key Skills criteria at these levels will be totally dependent on the style of teaching and learning adopted for each unit.

The following table indicates where opportunities *may* exist for at least some coverage of the various Key Skills criteria at Levels 2 and/or 3 for each unit.

Unit	C				AoN			IT			WwO			IOLP			PS		
	.1a	.1b	.2	.3	.1	.2	.3	.1	.2	.3	.1	.2	.3	.1	.2	.3	.1	.2	.3
F011	✓	✓		✓	✓	✓					✓	✓	✓				✓	✓	✓
F012	✓	✓			✓	✓	✓				✓	✓	✓				✓	✓	✓
F013	✓	✓	✓	✓		✓	✓	✓			✓	✓	✓						
F014	✓	✓	✓	✓	✓	✓	✓	✓									✓	✓	✓

6.4 Spiritual, Moral, Ethical, Social, Legislative, Economic and Cultural Issues

These specifications offer opportunities that can contribute to an understanding of these issues in the following topics:

- A2 Unit F013: *Company Accounts and Interpretation:*
The Role of Accounting Standards
Analysis and Interpretation of Accounts;
- A2 Unit F014: *Management Accounting:*
Budgeting and Budgetary Control
Costing and Decision-making
Social Responsibility.

However, no spiritual issues are covered in these specifications.

6.5 Sustainable Development, Health and Safety Considerations, and European Developments

These specifications support these issues, consistent with current EU agreements, in the following topics:

- AS Unit F012: *Accounting Applications:*
Organisations
Sole Trader
Partnership
Clubs and Societies
- A2 Unit F013: *Company Accounts and Interpretation:*
Financing
The Role of Accounting Standards
Analysis and Interpretation of Accounts
- A2 Unit F014: *Management Accounting:*
Costing and Decision-making
Social Responsibility.

6.6 Avoidance of Bias

OCR has taken great care in the preparation of these specifications and assessment materials to avoid bias of any kind.

6.7 Language

These specifications and associated assessment materials are in English only.

6.8 Disability Discrimination Act Information Relating to these Specifications

AS/A levels often require assessment of a broad range of competences. This is because they are general qualifications and, as such, prepare candidates for a wide range of occupations and higher level courses.

The revised AS/A level qualification and subject criteria were reviewed to identify whether any of the competences required by the subject presented a potential barrier to any disabled candidates. If this was the case, the situation was reviewed again to ensure that such competences were included only where essential to the subject. The findings of this process were discussed with disability groups and with disabled people.

Reasonable adjustments are made for disabled candidates in order to enable them to access the assessments. For this reason, very few candidates will have a complete barrier to any part of the assessment. Information on reasonable adjustments is found in Access Arrangements and Special Consideration Regulations and Guidance Relating to Candidates who are Eligible for Adjustments in Examinations produced by the Joint Council (refer to Section 5.9 of this specification).

Candidates who are still unable to access a significant part of the assessment, even after exploring all possibilities through reasonable adjustments, may still be able to receive an award. They would be given a grade on the parts of the assessment they have taken and there would be an indication on their certificate that not all of the competences have been addressed.

Appendix A: Performance Descriptions

Performance descriptions have been created for all GCE subjects. They describe the learning outcomes and levels of attainment likely to be demonstrated by a representative candidate performing at the A/B and E/U boundaries for AS and A2.

In practice most candidates will show uneven profiles across the attainments listed, with strengths in some areas compensating in the award process for weaknesses or omissions elsewhere. Performance descriptions illustrate expectations at the A/B and E/U boundaries of the AS and A2 as a whole; they have not been written at unit level.

Grade A/B and E/U boundaries should be set using professional judgement. The judgement should reflect the quality of candidates' work, informed by the available technical and statistical evidence. Performance descriptions are designed to assist examiners in exercising their professional judgement. They should be interpreted and applied in the context of individual specifications and their associated units. However, performance descriptions are not designed to define the content of specifications and units.

The requirement for all AS and A level specifications to assess candidates' quality of written communication will be met through one or more of the assessment objectives.

The performance descriptions have been produced by the regulatory authorities in collaboration with the awarding bodies.

AS performance descriptions for Accounting

	Assessment Objective 1	Assessment Objective 2	Assessment Objective 3
Assessment Objectives	<p>Demonstrate knowledge and understanding Demonstrate knowledge and understanding of accounting principles, concepts and techniques.</p>	<p>Application Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.</p>	<p>Analysis and evaluation Order, interpret and analyse accounting information in an appropriate format. Evaluate accounting information, taking into consideration internal and external factors to make reasoned judgments, decisions and recommendations, and assess alternative courses of action using an appropriate form and style of writing.</p>
AS A/B boundary Performance Descriptions	<p>Candidates characteristically:</p> <p>a) demonstrate knowledge and understanding of accounting principles, concepts and techniques.</p>	<p>Candidates characteristically:</p> <p>a) apply knowledge and understanding of accounting principles and concepts</p> <p>b) select and apply appropriate techniques for use in familiar and unfamiliar situations.</p>	<p>Candidates characteristically:</p> <p>a) analyse problems, issues and situations drawn from the AS specification in a clear, coherent and effective manner, by selecting, ordering and using appropriate data</p> <p>b) evaluate accounting information by taking into account internal and external factors, making reasoned decisions and judgements and, where appropriate, recommending a course of action from alternatives</p> <p>c) use written expression that conveys appropriate meaning, using accurate, specialist vocabulary.</p>
AS E/U boundary Performance Descriptions	<p>Candidates characteristically:</p> <p>a) demonstrate a basic knowledge and understanding of accounting principles, concepts and techniques.</p>	<p>Candidates characteristically:</p> <p>a) apply limited knowledge and understanding of accounting principles and concepts</p> <p>b) select and apply some appropriate techniques for use in familiar situations.</p>	<p>Candidates characteristically:</p> <p>a) analyse problems, issues and situations drawn from the AS specification in a limited manner, by selecting, ordering and using some appropriate data</p> <p>b) evaluate accounting information by taking into account internal and external factors, making limited decisions and judgements</p> <p>c) use written expression that conveys some meaning, using limited specialist vocabulary.</p>

A2 performance descriptions for Accounting

	Assessment Objective 1	Assessment Objective 2	Assessment Objective 3
Assessment Objectives	<p>Demonstrate knowledge and understanding Demonstrate knowledge and understanding of accounting principles, concepts and techniques.</p>	<p>Application Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.</p>	<p>Analysis and evaluation Order, interpret and analyse accounting information in an appropriate format. Evaluate accounting information, taking into consideration internal and external factors to make reasoned judgments, decisions and recommendations, and assess alternative courses of action using an appropriate form and style of writing.</p>
A2 A/B boundary Performance Descriptions	<p>Candidates characteristically:</p> <p>a) demonstrate a depth of knowledge and understanding of accounting principles, concepts and techniques.</p>	<p>Candidates characteristically:</p> <p>a) apply a depth of knowledge and understanding of accounting principles and concepts</p> <p>b) select and apply appropriate techniques for use in familiar and unfamiliar situations, drawn from the AS and A2 specifications, as appropriate.</p>	<p>Candidates characteristically:</p> <p>a) analyse problems, issues and situations drawn from the AS and A2 specifications in a clear, coherent and effective manner:</p> <ul style="list-style-type: none"> • select, order and use appropriate data • evaluate accounting information, taking into account internal and external factors • make reasoned judgements <p>b) recommend a course of action based on appropriate decisions</p> <p>c) use written expression that conveys appropriate meaning, using accurate, specialist vocabulary.</p>
A2 E/U boundary Performance Descriptions	<p>Candidates characteristically:</p> <p>a) demonstrate some knowledge and understanding of accounting principles, concepts and techniques.</p>	<p>Candidates characteristically:</p> <p>a) apply some knowledge and understanding of accounting principles and concepts</p> <p>b) select and apply some appropriate techniques for use in familiar and unfamiliar situations, drawn from the AS and A2 specifications, as appropriate.</p>	<p>Candidates characteristically:</p> <p>a) analyse problems, issues and strategies drawn from the AS and A2 specifications:</p> <ul style="list-style-type: none"> • select, order and use data • evaluate accounting information, taking into account internal and external factors • make some reasoned judgements <p>b) use written expression adequate to convey meaning, including some specialist vocabulary.</p>