



General Certificate of Education

Applied Business 8616/8619

**BS15 Financial Accounting for
Managers**

Report on the Examination

2008 examination - June series

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Dr Michael Cresswell Director General.

General Comments

Many candidates were well prepared for this examination and used the items to answer the questions in context.

Weaker candidates failed to read the questions carefully and often did not refer to the items even when specifically asked to do so. Theoretical responses to questions attract far fewer marks than those which relate to the scenarios given in the items.

Another significant problem evident for some candidates was the lack of a calculator.

Question One

(a) This question was well answered with most candidates scoring full marks. Where mistakes took place it was generally the result of:

- not using or having a calculator available
- deducting VAT rather than adding it.

(b) Most candidates were able to score marks on this question with many gaining two out of three marks indicating a partial explanation. However, few candidates fully explained with a logical chain, such as:

- identifying the issue or problem, eg needing to correct or issue a new document
- explaining that this will be time consuming
- why this will result in a delay in payment.

Where candidates achieved low marks it tended to be because they had not read the question carefully and explained how the invoice may have been incorrectly completed rather than why a delay would be caused.

(c) It was pleasing to note that many candidates identified suitable actions such as early settlement discounts. In many cases, candidates outlined how these actions would work and the positive effects that they would have on cash flow.

Unfortunately, some candidates offered inappropriate actions such as:

- “offering them free drinks with their meals” or “buy one get one free” type suggestions that would not speed up payment. This also suggested that candidates thought *Top Tapas Ltd* was selling to retail customers rather than on a wholesale basis using trade credit
- telling people to pay
- coercive tactics, eg sending in bailiffs.

(d) This part was less well done with responses that demonstrated confusion between:

- day books and ledgers
- purchases and sales
- debtors and creditors
- balance sheets and profit and loss account.

Question Two

- (a) It was pleasing to see that many candidates were able to correctly work out the adjustments to factory power and insurance, although the adjustment to depreciation was less well done.

Some candidates were unsure how to calculate the 'production cost of goods completed' and deducted overheads from prime cost.

- (b) (i) The majority of candidates correctly identified the type of error (omission) but many could not fully explain why the trial balance would still balance, ie no reference to debits and credits being equal or the dual aspect. Some candidates stated that the trial balance did not detect errors anyway but that they would be found when the final accounts were produced.
- (b) (ii) This question was answered well with the majority of candidates realising the impact on the final accounts, both profit measurement and asset valuation, and the danger of spending money they had not got due to the bank balance being incorrect.
- (c) The answers to this question by many candidates were particularly pleasing as they were able to answer in context.

The majority of candidates correctly extracted details from the scenario and their responses to question 2(a) to explain that the fall in the value of the £ would have a significant impact on the costs of production of the company because it imported 50% of its raw materials from Spain. Most candidates realised that this would impact on the company's profitability. Better answers that scored at the highest level were then able to further analyse the impact on selling prices, customer demand, break-even point etc.

However, some candidates offered more 'theoretical' responses and stated that if the value of the pound fell their money would buy them less raw materials and, therefore, they would have to produce fewer goods and customer demand would not be satisfied.

- (d) Most candidates were able to score some marks on this question but, unfortunately, there were few high marks.

Many candidates identified relevant accounting concepts such as prudence, realisation or accruals.

It was clear that many candidates were unsure what provision for bad and doubtful debts were. Some suggested that this provision was some kind of pot of money set aside that the company could use to pay suppliers if its customers did not pay them.

Candidates often limited themselves to Level 1 marks as they did not use Item B to explain a reason to agree/disagree with creating a provision for bad and doubtful debts.

Question Three

- (a) This question was very well answered, although some candidates did not realise that net assets should equal capital employed.
- (b) Many candidates were able to write in detail about the limitations of ratios and the range of other sources of information that should be considered before making a decision about expansion. However, they failed to score highly because they did not follow the instruction to use Item C.

Some candidates answered a different question, offering answers to whether they thought that the company should expand.

- (c) More able candidates scored well on this question. They recognised that whilst profitability had increased and justified the Chief Executive's remarks, liquidity had declined to a serious level and, therefore, overall the company could not be said to have had another good year.

Weaker candidates did not correctly analyse the trend in the data and some did not refer to the ratios at all but simply repeated details from the scenario about the company's activities for the year.

Many candidates speculated about the future performance of the business rather than answering the question, ie how well did they perform in the previous year.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results statistics](#) page of the AQA Website.