

Examiners' Report

GCE O Level Accounting (7011)

June 2006

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ACCOUNTING 7011, CHIEF EXAMINER'S REPORT

General Comments

This paper was the second June paper on the revised specification. Centres are taking time to reach the standard of work pre-revision. VAT, accounting concepts and the greater amount of evaluation pose development issues for candidates. Some progress is being made. If the advice in this report is turned into action by Centres and Candidates, further improvement in the standard will be the outcome. The vast majority of candidates answered all questions on the paper. Written aspects in general and evaluation in particular continued to be poor.

Question 1

As usual ledger work proved to be difficult for many candidates, showing perhaps that the bulk of their studies is given over to preparing final accounts and giving less weight to the basic bookkeeping procedures. However, most candidates made a reasonable attempt at this question. The main points of weakness were:

- **The treatment of VAT.** This is probably the main area that needs attention. VAT was often included in the nominal accounts and omitted from the personal accounts. This is a point for teachers to pick up on - stress that the customer or supplier account contains everything (goods and VAT) and that this is then split up in the nominal ledger into goods (sales or purchases account) and VAT account. After practice this would become familiar and students would have no problem with it. The VAT account itself caused severe difficulty to many - incorrect amounts on the incorrect side with incorrect narrations.
- **Narrations.** Numerous marks were lost due to incorrect narrations. The main rule is not difficult and can be easily grasped with practice. The narration for each entry should be the name of the account where the double entry is recorded. Candidates are not distinguishing between bank, cash and petty cash. Many candidates are still writing simply Bb/d or just b/d. This occurred 6 times in this question and caused the loss of 3 marks for those who could not take the time to write Balance properly.
- **Transfers to the trading and profit and loss accounts.** Some candidates did not do this at all and others transferred to the wrong account. Again this simply requires good practice.

The written part of this question was not well answered. Most candidates referred to not anticipating profits and better ones used the phrase 'true and fair value' but got no further. Very few attempted to explain net realisable value. The trigger word evaluation is asking candidates to weigh up the strengths and weaknesses and draw a conclusion. Candidates are advised to practise these techniques of evaluation.

Question 2

Most candidates scored well on this final accounts question. The main problem areas were:

- Failure to recognise that this was a service business and that fees would be shown on the credit of the profit and loss account with the corresponding expenses shown on the debit side.
- Stock drawings and interest on loan often omitted.
- Few candidates found the correct insurance figure in either the profit and loss account or the balance sheet.

Question 3

(a) (b) and (c) Most did well, showing good knowledge of formulae and selecting appropriate strategies.

(d)

Candidates found the final 8 marks in this question difficult to obtain. Liquidity was particularly weak. Most suggested that current assets had increased and current liabilities had decreased and gave no further reason. Others made suggestions which would have simply caused a change in the composition of the working capital without altering its total. Liquidity can be increased by reducing other parts of working capital (stock and debtors) but working capital can be increased only by bringing in funds from another section of the balance sheet.

Question 4

This question was well done by most. The main problems were:

- classifying items in the incorrect section. For example, returns outward appeared in many places - only one of which was correct.
- candidates must appreciate that selection is an important part of some questions. Not all items are actually required.
- many candidates lost 1 mark by omitting the name of the person and of the account.
- inability to use the mark up to calculate the sales figure in the trading account.

Question 5

(a) There was an error in the paper on this question relating to subscriptions. The subscription account was marked very generously to offer compensation.

- A significant number failed to use the word 'balance' but wrote 'accrued b/d' or 'prepaid b/d'. This is unacceptable but can easily be corrected.
- Some candidates were confused over which side the opening balances should appear on. An asset is a debit balance b/d and a liability is a credit balance b/d.

(b) The income and expenditure account was well done by most. The main problems related to:

- the sale of equipment
- treatment of the loan
- poor title.

Question 6

Most candidates scored well on this balance sheet question, showing good classification of items. Points of difficulty were:

- the income in arrears and VAT were often placed under current liabilities.
- dividends were often omitted and those who did include them often failed to write 'proposed' and so lost marks.
- the majority are still not giving the details of the share capital. Even where this was done marks were lost due to a failure to state 'fully paid'.

ACCOUNTING 7011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	62	52	43	38	26

Note: Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.
