

Examiners' Report January 2007

GCE

GCE O Level Accounting (7011)

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7011/01 Examiner's Report
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The general level of performance showed improvement on this paper. Basic book-keeping showed a proficient level. The newer aspects of the revised specification still need attention especially on the understanding and application of concepts and the ability to explain and evaluate. These items are addressed in detail in this report with the intention of being helpful to teachers and candidates.

Question 1

Most candidates gave a proficient answer to this question. This is an improvement on previous papers and shows a rise in the standard of basic book-keeping. Centres now should consider the following points

- Trade discount should always be shown in the day books.
- The calculation of VAT in the Sales Day Book (for example) should be net of cash discount.
- The cash book was familiar to almost everyone, even those who scored very low marks on the paper as a whole. The cash book is often the first topic to be covered and it seems to be an intuitive exercise but there are still points which can be improved, for example, naming the opening balance and correct narratives.
- The general journal was omitted by many candidates and others did it like an account. Those who set it out correctly often used the incorrect figures and did not include the narration. Very few candidates scored full marks.
- The accounts in the sales ledger usually gave at least the opening balances and the sales figure for Display Limited, but only a handful of candidates got the bank and discount entries correct.
- The VAT account elicited a lot of confusion, both between the debit and credit sides and as regards the narrations. A lot of candidates failed to balance it, despite being asked to comment on the balance.
- Not many achieved full marks for the written section concerning the VAT balance - many candidates gave the general rule and stated both possibilities without referring to the particular case.

Question 2

This question was well done by many showing a good ability to prepare final accounts.

Trading and profit and loss account

The trading section was done well by most, the main problem being the closing stock. Few understood how to use mark up and margin to calculate the stock figure.

Some candidates subtracted the £200 cash drawings from the purchases.

A number of candidates added the discount received in the trading account before calculating the gross profit.

Discounts allowed were often confused with discounts received.

As always, some included the capital value of the fixed assets, although not many did this. Many, however, failed to calculate the depreciation correctly.

Some included the suspense account as a debit entry in the profit and loss account.

Balance sheet

Almost all candidates made a reasonable attempt at the balance sheet. The main problems are described below.

The depreciation figures were often incorrect, generally showing a lack of understanding of provision for depreciation

Debtors and creditors figures were often transposed. Candidates must recall that asset and expense items are debits in the trial balance and liability and income items are credits. The order of wording in the trial balance has no bearing. Only the better candidates made the correct adjustments to cash and bank figures.

Question 3

This was a question which differentiated between candidates. Good candidates not only got most of the answers correct but they also **explained** the mechanics of their answers; only very best candidates got the correct stock figure in (i) The key word in this question was **explain**. Some candidates simply gave calculations. Even where the calculation was totally correct, few marks were achieved if there was no **explanation**. Many confused cash with profit. In addition, there seems to be a misconception that, just because one part of a transaction does not affect the working capital, nothing does. The example is the sale of the vehicle and the loan; many candidates thought that these have nothing to do with current assets and liabilities, having forgotten about cash. Candidates are advised to work out the double entry and trace the effects from that start point. Describing what is going on in this way gives the **explanation**.

Question 4

Performance on this question was mixed.

- Most candidates knew the correct formulae.
- Most calculated the correct net profit figure.
- Many found the correct gross margin.
- Attempts to define profitability and liquidity were less successful. Profitability measures profit against another factor. Liquidity was often well defined as the ability to pay debts as they fell due.
- Many candidates were unable to give an answer to part (d). Evaluation must take up 10 marks on each paper. In particular this can make the difference between an A and a B grade, but the technique is important to all candidates. First candidates must see the evaluation process as one of assessing strengths and weaknesses and drawing a conclusion (making a decision).

Question 5

Control account techniques and the construction of ledger accounts are key skills which are developed through exposure and practice. Only the most able candidates were able to score highly on the ledger accounts required.

Understanding of concepts is now an important part of this specification and will be examined on every paper. Concepts are the principles on which accounting actions are based and therefore fundamental. When this is linked with evaluation it becomes challenging for candidates. The very best rise brilliantly to this challenge. Focused coaching by centres could result in substantial improvement.

Question 6

Most performed well showing a reasonable understanding of partnership final accounts. Fewer candidates included drawings in the appropriation account and a large number of candidates found the correct share of profit figures.

Again it was the ledger accounts that caused difficulty to some candidates. Such candidates confused the entries which should appear in the current and capital accounts. Very few candidates were able to handle the transfer between the capital and current accounts leaving the £5,000 current account balance. Many candidates, including some of the best, failed to bring down their balances.

Statistics

7011/01

Grade	Max. Mark	A	B	C	D	E
Boundary Mark	100	68	56	44	39	28

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