

# **Accounting**

Advanced GCE A2 H401

Advanced Subsidiary GCE AS H001

## **Report on the Units**

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**June 2009**

**H001/H401/MS/R/09**

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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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## **Chief Examiner's Report**

### **Chief Examiner's Report (H404, H001)**

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. It was particularly pleasing to note the percentage increase in high grades at final aggregation, reflecting the quality of work presented by candidates.

Entries for F001 and F002 were all for re-sit candidates and greater depth was evident for some candidates who were able to use the marks gained in these papers to push up overall grading. This was particularly evident for F001. Entries for F003 were in the main first time entries, whilst most for F004 were re-sit entries.

Responses to narrative sections of questions were varied. Some responses were limited and candidates would improve grading with greater development and evaluation. A few candidates responded with answers to questions they would have liked to have been asked rather than the actual question asked. This was more so for F003 and F004.

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.

### **Chief Examiner's Report (H011)**

This was the first year for the new specification and the examiners were encouraged by the response given to the specification. Standards varied and some excellent scripts were presented and a wide range of marks achieved. Entries for F011 were a mix of re-sit and first time entries, whilst F012 was for first time entries only.

As in the previous specification comment is made on the need for the correct narrative within ledger accounts and again this to be reiterated. Frequently marks in ledger accounts are for the correct narrative and value i.e. the correct entry.

Quality of written communication marks are built into mark schemes and some candidates do not gain the marks available due to poor presentation of accounting statements. The use of a ruler would improve presentation for some candidates.

Frequently, values in accounting statements are made up of various calculations with marks sometimes being awarded for calculations leading to a final value. Some candidates omitted calculations and lost marks for presenting an incorrect final value only. This was particularly evident for the calculation of sales and purchases in the incomplete records question for unit F012.

Finally, the use of past paper material from the previous specification as a teaching resource is to be encouraged for the new specification.

# F001 Accounting Principles

## General Comments:

Most candidates submitted papers of a high standard showing a good knowledge and understanding of the topics covered in the specification for this unit. This was probably due to that fact that candidates sitting this paper were year 9 re-sit candidates. 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 was well completed by many of the candidates.

## Comments on Individual Questions

- 1) (a) The majority of candidates were able to demonstrate a good understanding of final accounts, and generally presentations were of a high standard. Within the Trading section a few candidates failed to calculate the net sales figure. A number of 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. A minority of candidates failed to calculate the net figures for each item adjusted. The adjustment for the provision for doubtful debts proved more challenging for some as the debtors figure had to be adjusted before the calculation was made. Most candidates were able to correctly calculate the depreciation of motor vehicles, but the depreciation of office equipment proved more difficult as again adjustments had to be made for an item purchased part way through the year.

On the Balance Sheet, many candidates correctly calculated the fixed assets. Within the current assets a number of candidates failed to correctly adjust the debtors figure for the provision for doubtful debts. The loan repayments caused problems for a few candidates who failed enter the figure in the current liabilities, and quite often the bank overdraft of £4,700 was entered in the current assets. The financed by section of the Balance Sheet was well prepared by many candidates with most gaining a mark for net profit under the own figure rule. A few candidates failed to adjust the drawings ignoring the goods for own use.

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

- 2 (a) A number of candidates were able to provide a correct set of ledger accounts for expenses and revenues. Many candidates were able to identify whether the opening balances were debit or credit balances, a number entered the bank entry on the wrong side in the rent received account. The stationery account proved challenging as few candidates were unable to correctly deal with the stock of stationery and the outstanding invoices correctly within the account. The calculation of the prepayment of rates also provided difficulties for some candidates. A few candidates again had problems with correct narratives.
- (b) The Profit and Loss Account extracts were generally well done.
- (c) Many candidates were able to correctly identify items under Current Assets and Current Liabilities.

- (d) This part of the question was well answered and candidates had a good knowledge of accruals.
- 3 (a) Many candidates were able to correctly produce a Bad Debts Account, a Provision for Doubtful Debts Account and R. Iver's Account showing the transfer to the Profit and Loss Account. A number of candidates, however, incorrectly calculated the provision for doubtful debts as they failed to adjust the debtors figure for the bad debts written off.

(b) The Balance Sheet extract was well completed. 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 discuss why businesses create a provision for doubtful debts.

(d) The factors that a business should take into account when creating a provision for doubtful debts was well answered with many candidates relating to the economy.

## F002 Financial Accounting

### GeneralComments

Candidates generally performed well in the examination and were prepared for the various topics assessed. The well prepared candidates completed the three questions in the time allotted.

A number of candidates unfortunately omitted the Suspense Account from Question 1(a). As in January when a Balance Sheet was omitted by a number of candidates it is worth reiterating how important it is that candidates read the instructions with care. It was pleasing to note an improvement in the use and spelling of accounting terms.

### Comments on Individual Questions

- 1 (a) Most candidates produced appropriate Journal entries, although some answers were not in appropriate Journal form. Adjustments (iv) and (v) proved most challenging but candidates readily posted appropriate entries for adjustments for cash sales, drawings of stock and a cheque credited in error to the incorrect supplier's account.

Where the suspense account was produced, it was generally consistent with the Journal.

- (b) Most candidates found the calculation of the revised profit challenging. Many included adjustments which had no effect on profit and only a minority successfully identified the revised profit.
- (c) A Balance Sheet was almost universally produced as required by the question but most candidates were unsuccessful in deriving the correct creditors and/or debtors figures.
- (d) Many candidates produced good answers identifying and explaining three types of error. The less well prepared candidates attempted explanations, but without identifying the type of error.

- 2 (a) This proved to be the most difficult question on the paper for many candidates. Often, they were unable to work back to cost figures from the selling price of cost + 50% mark up. A number of adjustments were reversed, i.e. added instead of subtracted in the calculations.
- (b) Candidates were asked to explain their treatment of the adjustments in part (a) and many, unfortunately, simply stated in words their calculations in the earlier part of the question instead of showing an understanding of why they had made the adjustments based on accounting principle, etc.
- (c) This part of the question was generally well answered. Candidates understood the usefulness and indeed some of the pitfalls of ICT, showing a good appreciation of current concerns such as viruses, cost of computer packages and so on. A limited number specifically applied their understanding to the business in question as was required but, nevertheless, many scored well on this part of the question.

- 3**     **(a)**    In general candidates produced appropriate Trading, Profit and Loss Accounts. A large proportion of candidates correctly calculated the business expenses total which included both accruals and prepaid expenses at the start and end of year. Candidates found the calculation of purchases more difficult.
- (b)**    Many candidates made a good attempt at identifying the advantages and disadvantages of changing from a sole trader business to a limited company. A number of candidates unfortunately confused limited liability and unlimited liability and a few candidates were unsure about the difference between private and public limited companies.

A small number of candidates unfortunately misread the question and looked at the scenario from a different viewpoint to that of Kevin, the sole trader. His wife, Emma, was sometimes the focus of answers.



## **F003 Management Accounting**

### **General Comments**

Most candidates were able to complete the paper in the allotted time. Most scored well on capital expenditure and to a lesser extent on marginal costing. For many, stock, particularly the narrative aspect was the least well answered.

### **Comments on Individual Questions**

- 1     **(a)** Most candidates correctly calculated the closing stock value under the FIFO method. Many candidates incorrectly calculated LIFO using the perpetual basis.  
  
       **(b)** Many candidates correctly calculated the net profit, however, some were unable to correctly apply the mark up to the purchase price.  
  
       **(c)** Frequently there was confusion between physical movement and stock valuation method.  
  
       **(d)** Few candidates were able to assess the usefulness of economic order quantity and many responded with reference to just in time (JIT).
  
- 2     **(a)** Whilst this part of the question produced a range of outcomes, there were few completely correct answers. Some candidates calculated profit for one month only rather than the three month period. Many candidates calculated the correct contribution per unit and some used this as the basis of priority, rather than relating to the limiting factor.  
  
       **(b)** Most candidates correctly calculated the profit for the special order.  
  
       **(c)** This part of the question was well answered by many candidates and frequent reference was made to the reaction of other customers paying the full price.
  
- 3     **(a)** Many candidates correctly calculated the cash flows, although some did add depreciation and confused cash flow with net profit.  
  
       **(b)** Payback and net present values were correctly presented by many candidates. Some, however, omitted the cash flow for the residual value of product Y.  
  
       **(c)** Whilst most candidates were able to recommend a product, some justifications lacked development. Few candidates commented on the timing/inclusion of all cash flows. Some candidates did relate to the timing of the market demands of each product and relative financial data.

## **F004 Company Accounting**

### **General Comments**

The overall standard was good, although some candidates were not prepared for the questions on the examination paper. High ability candidates gained good marks on all questions and performed well on the written narrative questions.

Weaker candidates did not perform well on the written narrative questions and had not prepared for a journal question on shares.

The majority of candidates produced workings which could be followed and were well presented.

There was no evidence that candidates had difficulty in completing within the time allowed.

### **Comments on Individual Questions**

- 1     **(a)**   This part of the question was very well done by the majority of candidates with many high ability candidates gaining the maximum mark. Weaker candidates were unable to show the correct treatment of the provision for unrealised profit and did not include the manufacturing profit in the profit and loss account. Weaker candidates showed expenses in the manufacturing account and not in the Profit and Loss Account. The majority of candidates prepared the accounts in a good layout
- (b)**   This part of the question was well answered by the majority of candidates. Good answers made reference to the concept of prudence and the application of SSAP9.
- (c)**   This part of the question was well answered by high ability candidates. There were many weak answers which failed to make reference to true and fair or the concept of prudence. Some very good answers made reference to the importance of the report to the prospective investor.
  
- 2     **(a)**   There were some excellent answers from high ability candidates with all the correct Journal entries. Many centres and candidates were not prepared for a journal question and produced answers of a low standard. Weak candidates often reversed entries for the bank and the application and allotment account. The correct transfer from the application and allotment account to the ordinary capital and share premium were not made. Weak candidates could not calculate the correct share premium of £520 000. Weak candidates also failed to calculate the final call amount received of £116 000...
- (b)**   There were many weak answers because candidates did not answer the question of why the company would finance an expansion through bank borrowing. Many candidates made general comments about shares and loans. Some excellent answers that made reference to the bank not having equity and the reduction in the risk of a change of control. Well prepared candidates made reference to low interest and dividend payments.

# Grade Thresholds

Advanced GCE Accounting (H001 H401)  
June 2009 Examination Series

## Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
<b>F001</b>	Raw	100	80	71	62	53	44	0
	UMS	100	80	70	60	50	40	0
<b>F002</b>	Raw	100	74	65	56	47	39	0
	UMS	100	80	70	60	50	40	0
<b>F003</b>	Raw	100	71	62	53	44	35	0
	UMS	100	80	70	60	50	40	0
<b>F004</b>	Raw	100	80	70	61	52	43	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)

Overall Grade	Maximum Mark	A	B	C	D	E
<b>H001</b>	200	160	140	120	100	80
<b>H401</b>	200	160	140	120	100	80

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

	A	B	C	D	E	U	Total Number of Candidates
<b>H001</b>	15.8	39.5	65.2	82.2	96.1	100	190
<b>H401</b>	16.9	39.8	62.9	82.7	93.7	100	1113

**1113 candidates aggregated this series**

For a description of how UMS marks are calculated see:

[http://www.ocr.org.uk/learners/ums\\_results.html](http://www.ocr.org.uk/learners/ums_results.html)

Statistics are correct at the time of publication.

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