



**General Certificate of Education (A-level)
January 2012**

Accounting

ACCN1

(Specification 2120)

Unit 1: Introduction to Financial Accounting

Report on the Examination

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General

Whilst some students clearly found this paper testing, it is pleasing to report that well prepared students were able to justify their hard work to good effect. As always, the paper required a good understanding of the basic principles of accounting with the opportunity to demonstrate this in a mixture of standard computational questions and short written answers.

Whilst most students continued the recent trend of improved presentational skills, weaker students continue to penalise themselves by not showing structured workings when answering computational questions.

When answering written questions, it is important that students learn to develop their answers sufficiently to gain additional marks – one sentence answers will rarely be sufficient.

Question 1

- (a) An explanation of accrued expenses and prepaid expenses has been required on a number of occasions in the past and these particular terms were generally well explained with many students additionally detailing the effect on the income statement and balance sheet. The explanation of cost of sales was less well done. Few students were able to express their thoughts sufficiently well to gain both marks. A significant number of students incorrectly stated that cost of sales is deducted from sales to give net profit.
- (b) Students were required to produce a rent and rates account incorporating opening and closing adjustments. The answers were very poor in the vast majority of cases, with only a small handful of students entering the transfer to the income statement. Many students showed a lack of basic double entry knowledge by entering transactions on the wrong side of the account.

Question 2

Updating a cash book and preparing a bank reconciliation has been a regular feature of past examinations. It is disappointing to note therefore that this particular question caused difficulties.

- (a) Students were split as to whether to start the cash book with the original balance of £988 CR or the updated balance of £698 CR. Both alternatives were rewarded. Whilst most students gained good marks on this part of the question, many were unable to deal correctly with the cashbook error on the receipt from Umar Alam.
- (b) The preparation of the bank reconciliation statement was generally poorly answered with many students failing to produce the correct format or work to the correct bank statement balance. Few students appeared to recognise that they were dealing with an overdrawn balance and a surprisingly large number of students confused unrepresented cheques with outstanding lodgements.
- (c) Following the preparation of the bank reconciliation, students were required to explain the terms unrepresented cheque and outstanding lodgement. Once again, some students had difficulty transferring their knowledge to paper. This is an area that all students must work on.

- (d) Students were required to explain three benefits of preparing a bank reconciliation. Most students were able to provide legitimate benefits and were duly rewarded. There was a noticeable improvement on the quality of written communication in this question.

Question 3

- (a) Rather than preparing a full income statement, students were required to calculate the adjusted profit for the year after a series of adjustments. Most students coped well with this different approach and gained high marks. The adjustment that caused the most problems was the calculation of the prepayment for rates with many students opting for the full year's payment as being prepaid. Once again, a distinct lack of workings for the calculations cost students valuable marks.
- (b) Students were clearly well prepared for the production of a balance sheet, but disappointingly, many failed to gain the mark for showing the correct title and sub-headings. Students continue to assume that a bank loan will always be a long-term liability. The bank loan in this question was due for repayment in eleven months therefore qualifying it as a current liability. The majority of students were able to incorporate the adjustments from the first part of this question into the balance sheet.

Question 4

The final question tested students knowledge of common accounting terms and their basic knowledge of double entry bookkeeping. Despite the fact that there were several good attempts at defining the terms and identifying the double entry, a disappointing number of students struggled with the question.

- (a) Despite the fact that the question specifically quoted facts from the case study, responses tended to be generic rather than specific. In explaining a standing order, several responses were insufficiently detailed to distinguish this from a direct debit. A number of students reversed the double entry and many cited the cash book as the credit entry rather than the bank account.
- (b) As in the previous part, responses to explaining the credit transfer were again generic rather than referring to the case study. Many students wrongly assumed that the transaction related to a credit card and a substantial number of students were of the opinion that it was a payment, not a receipt.

Summary

Whilst well prepared students were able to gain good marks, weaker students found the paper difficult. It is important that centres stress the need for students to develop their written answers to gain full marks, to refer to the case study where applicable and to provide workings when attempting computational questions.

Mark Ranges and Award of Grades

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