



**General Certificate of Education (A-level)
January 2011**

Accounting

ACCN2

(Specification 2120)

Unit 2: Financial and Management Accounting.

Report on the Examination

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Unit 2 Financial and Management Accounting

General

It is pleasing to report that the standard of answers provided, to what were demanding questions, continues to improve. This was the first examination to assess statement of changes in equity and again it is pleasing to report that almost one quarter of candidates achieved maximum marks on this question. It should be noted that profit and loss appropriation accounts will no longer be examined and that more complex statement of changes in equity questions can be anticipated.

The written questions showed further improvement with candidates able to provide extended answers – although a number of candidates failed to gain marks by omitting examples or not answering the questions set. One general area of weakness was the lack of workings, or in some cases the failure to link workings to the final answer – this results in candidates not achieving marks when their final answer is incorrect. In some cases this could cost candidate 3 or 4 marks.

Question 1

- (a) Candidates were able to explain the consistency concept very well using examples to support their explanations. However, they found the explanation of prudence more difficult, with many just quoting an example rather than explaining the concept. There was also a lack of precision with many candidates stating “everything should be undervalued” which is clearly not true.
- (b) Candidates had to explain why these concepts were important in the preparation of financial statements. This proved challenging to many, who could not really explain why the concepts were important, and tended to repeat their explanation from question 1(a).

Question 2

This was a complex task requiring candidates to undertake a number of challenging adjustments to the income statement. It is pleasing to report that candidates were able to tackle even the most complex adjustments such as the provision for doubtful debts and calculating the profit on disposal of the non-current asset.

The major weakness in answering this question was the lack of workings, or in some cases, workings not linked to the answer shown in the income statement. For instance, some candidates had working showing the calculation of depreciation. However, the final figure for the working did not appear in the income statement – it was therefore not possible to reward these workings as examiners could not be sure what the candidate intended. Candidates must understand the importance of showing workings in the space provided and not on the question itself but also to link workings to their final answer.

Question 3

This was the first statement of changes in equity question and as stated earlier it was pleasing to note that almost a quarter of the candidates gained maximum marks. It is vital to note that this type of question will appear on subsequent papers.

Candidates were able to calculate the share issue and share premium, and generally placed these in the appropriate places in the statement of changes in equity.

A significant number of candidates did not seem to be confident of the treatment of dividends and did not show these in the correct place. Candidates are expected to total the statement. It was notable that a significant number of candidates either did not total the columns or show a running total in each row.

Question 4

This question focused on accounting ratios. Candidates were able to calculate the gross profit margin and profit in relation to turnover ratios. However, a number lacked precision and did not show the answers with percentage signs or times/days (for the stock turnover) and, as a result, did not achieve maximum marks. A significant number of candidates struggled with the stock turnover calculation, many not being able to state the formula.

Part (d) proved the most challenging for candidates. It required the explanation of how the ratios could be improved. In general, the answers to this were full and showed some good exam technique. However, some candidates seemed to want to answer a different question commenting on the ratios themselves or trying to assess the performance of the business, which was not possible with the information given.

Candidates really struggled to identify ways of improving the gross profit margin. Many focused on improving gross profit without realising that the question was about improving the relationship between the cost of sales and the selling price. Candidates were more successful in identifying ways of improving the profit in relation to turnover and stock turnover ratios.

Candidates were also required to identify any problems that might be caused by their suggestions to improve the ratios and this proved to be the strength of many answers, with candidates clearly identifying potential problems and explaining them clearly.

Mark Ranges and Award of Grades

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