



General Certificate of Education

Accounting ACCN2

**Unit 2: Financial and Management
Accounting**

Report on the Examination

2010 examination - June series

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Accounting: Advanced Subsidiary Level**Unit 2 Financial and Management Accounting (ACCN2)****General**

It is pleasing to report that candidates are showing improved examination technique, with the vast majority of candidates presenting accounting statements accurately and legibly. Most candidates showed workings, which is good practice and enabled them to maximise their marks, although sometimes they did not appear to relate to the final answer.

Candidates' ability to express themselves fully and give examples to support their arguments is improving, as is the quality of written communication. However, there appears to be reluctance to use numerical information to support written answers (see comments on Question 4). In general candidates are rewarded for qualifying their written comments using data they have calculated or from the question scenario.

The most significant issue in this examination was the failure of candidates to read the question and often to provide 'textbook' answers which did not relate to the scenario given (see comments on Questions 1 and 2). Candidates should also view questions as a whole and be able to carry information/data from one part of the question to another (see comments on Question 4).

Question 1

Many candidates failed to read this question carefully. It appeared that they failed to realise that the owner of the business was converting his business to a private limited company with himself as the only shareholder and gave generic responses, unrelated to the question. It is important to emphasise that candidates must answer the question set in the context given and not rely on rote answers.

The majority of candidates showed good technique in fully explaining the advantages and disadvantages of converting the business. However a significant number used the abbreviation "plc" inappropriately and discussed businesses going "bust", rather than using more technical terms such as bankruptcy or liquidation.

Question 2**Part (a)**

Almost all candidates were able to prepare an Income Statement using the appropriate format. However, some lost the quality of presentation mark for not including the owner's name or the date in full.

It is pleasing to say that candidates were generally able to tackle the adjustments required accurately and with supporting workings. The most common mistake was not to deduct bad debts before calculating the provision for doubtful debts, but many candidates were able to account for bad debts recovered, income due and depreciation correctly.

Part (b)

Candidates could give reasons for the possible difference in stock figures, although again a number relied on rote answers to the advantages and disadvantages of computers in accounting by discussing speed, accuracy and putting too much emphasis on hacking and computer viruses. This part question also revealed a lack of examination technique amongst a number of candidates in that they failed to fully explain the difference eg, they might explain why the computer records may be incorrect but then failed to explain how this would be reflected in the physical stock-take.

Question 3**Part (a)**

The calculation of the inventory turnover ratio produced some disappointing answers, with only 30% of candidates achieving the full 5 marks. Some candidates lost marks for lack of precision in not stating their ratio as times, days or months.

Part (b)

This part question reflected some of the confusion in part (a). Although candidates were rewarded for valid comments relating to their calculation in (a), many candidates calculated the inventory turnover in days (for which they were rewarded) but then went on to compare their calculation in days with the number of times given in the question. A significant number of candidates did not give an assessment or explain the effect of the change in the ratio, eg selling stock more slowly.

Question 4

This question involved candidates calculating the cash raised from a rights issue, the dividends to be paid and then to prepare a cash budget. Despite the hint in part (c) the majority of candidates did not include the rights issue, loan repayment or dividends in the cash budget. It is important that candidates see questions as a whole and are prepared to carry information from one part to another, as they do when writing about the cash budget.

Part (a)

Candidates generally did not apply the nominal value to the shares and thus did not arrive at the correct number of shares for the rights issue and consequently the cash received. Please note it is common practice in examinations for shares to have a nominal value other than £1 and candidates should be prepared for this. A significant number of candidates did not understand the concept of the premium of 15p and did not multiply the shares issued by 65p.

Part (b)

Candidates were able to calculate the dividends payable, but many forgot to include the original shares. Again the shares having a nominal value of 50p was often ignored.

Part (c)

Part (c) was well answered. It is pleasing to see that candidates were able to calculate the cash received from sales accurately given a complex scenario. Pleasingly, fewer candidates included depreciation and many made notes to themselves to omit depreciation – good examination technique. The budgets were well presented and most balanced accurately, although a few did not treat the opening balance correctly eg as an overdraft or deducted positive net cash flows.

Part (d)

This part question was generally well answered with candidates able to assess the situation based on the cash budget they had prepared. Please note that the marks are awarded for their assessment of **their** budget and so an incorrect budget does not prevent a candidate from achieving maximum marks on this section.

The major weakness in this question was candidates' unwillingness to use data from their cash budget to support their answer. For example many discussed declining cash flows – it would be good practice to quantify these.

Mark Ranges and Award of Grades

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