



A-level

ACCOUNTING

ACCN2 Financial and Management Accounting
Report on the Examination

2120
June 2014

Version: 1.0

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General Comments

Students continue to show improvement in the presentation of answers (with some exceptions – see below) and in the development of written answers.

Where questions are set which are of a similar nature to those of previous years, eg question 1 on cash budgets, student responses are strong. However, when the question focuses on subject content or a technique not previously examined then they struggle, which may reflect a lack of understanding and the dangers of rote learning topics. More students than ever are showing workings, although these are not always linked to, or used in, the answer and therefore cannot always be rewarded.

Written answers continue to show improvement, with many students writing full answers and showing an awareness of the need to develop answers by giving full explanations supported by examples. However there are still a significant number who struggle with this aspect of the examination.

Question 1

This question required the preparation of a cash budget which students found very accessible with over 25% achieving maximum marks. The complications were in the calculation of cash received from sales which required the deduction of a cash discount, the calculation of purchases with a cash and credit element and the drawings figure which was based on cash received with a lower limit. It is pleasing to see the improvement over the years in the presentation of cash budgets with the vast majority of students using an acceptable format and also correctly balancing the budget each month.

The most common errors were to treat the cash discount as a payment and to calculate the drawings based on the sales figure for that month rather than cash received – perhaps indicating that the students did not read the question carefully.

Many students showed excellent exam technique, clearly supporting the answer with detailed and easy to follow workings. However, some produced workings that were difficult to follow or to relate to the final answer and others did not show any workings and simply a total for cash received for each month in which case they could not be awarded any marks.

Question 2

Question 2(a) required students to complete an income statement for a limited company and was basically a test of the students' knowledge of the layout of the income statement. It is disappointing that many students simply included all four items (depreciation, directors remuneration, debenture interest and taxation) in the income statement as expenses and did not seem to be aware of the need to show operating profit and profit before taxation. The result of this is that over half the students scored less than 4 marks on this question.

Question 2(b) continued from 2(a) and required the preparation of a statement of changes in equity. Despite the fact that statement of changes in equity questions have been asked previously, the answers provided to this question were very disappointing. Although 9% of students achieved the maximum mark, over 20% of students gained 3 or less and the standard of presentation was very poor. Students did not appear to be able to label the entries correctly and some provided running totals of the changes rather than showing the detail of each entry.

Many students were able to calculate the value of the rights issue and the share premium showing detailed workings. However, some students, who probably had a reasonable understanding, did not gain marks as they did not show workings to support their incorrect entries in the statement of changes in equity. A further common error was to include two figures for dividends and not to include their own profit figure from 2(a). Students should be made aware that questions should not be seen as discrete and that they can be expected to use information or answer from one part of the question in another.

Question 3

This question focused on preparing double entry accounts to record the purchase and sale of non-current assets. It proved very challenging for all students, with an average mark of 5 from a possible 15. Many students did not know the double entries to be made for the cost of the assets and provision for depreciation – with many including depreciation in the cost account. A significant number of students struggled to calculate the depreciation for the year using the reducing balance method and again some did not show workings and therefore could not be awarded marks.

Many students were able to calculate the loss on disposal, but were unable to record this correctly in the ledger accounts. The responses given call into question students' understanding of double entry and their ability to apply basic rules in unfamiliar situations.

Question 3(b) required students to select the accounting concept being applied in the treatment of non-current assets. It is disappointing that well over two-thirds of students were unable to do this correctly.

Question 4

Question 4(a) required students to make a judgement on the profitability of a business using ratios. This question was well answered with students making a clear judgement and supporting this with reference to the ratios.

Question 4(b) proved much more challenging for students. The limitations of using ratios to assess business performance has not been examined before and highlights the dangers of students focusing too heavily on past papers for their revision. Most students were able to identify the limitations but found it difficult to develop their answers sufficiently to achieve the marks available. For example, many students identified the fact that financial statements are prepared using the historical cost concept but then confused this with the financial statements being out of date. Also a number felt that the major limitation was the time and effort involved in the calculation of the ratios, perhaps showing a lack of awareness of the use of ICT in accounting. Few students were able to gain the marks available for each limitation as the answers lacked development – they often stated the limitation but did not give examples, or gave examples but did not expand this to make the general point. For example students would state that inflation would affect the ratios, but did not make the general point that ratios are affected by external factors.

Mark Ranges and Award of Grades

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