



**General Certificate of Education (A-level)  
January 2013**

**Accounting**

**ACCN2**

**(Specification 2120)**

**Unit 2: Financial and Management Accounting**

***Report on the Examination***

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## **General**

The majority of the students taking this examination were re-sitting and as a result the responses to all questions were full, with appropriate layouts and formats and with extensive use of workings to support answers.

The question paper used only the International Accounting Standard terminology. However it should be noted that it is acceptable for students to use the traditional terminology in their answers.

The answers to the written questions were extensive, however one criticism would be that students do not pay sufficient attention to the command word and thus may not gain all the marks available.

## **Question 1**

This question required students to calculate three ratios and then using previous year's ratios to make an assessment on the efficient use of net current assets.

Most students were able to calculate the current ratio. However, less successful students gained full marks on the calculation of the acid test ratio with many students losing a mark because of imprecise rounding or not showing the ratio in full, eg as 1:1.

The inventory turnover calculation also proved more difficult with few students gaining full marks. In this case students did not know the formula, or struggled to calculate the average inventory.

Question 1(d) required students to assess whether the business was using net current assets more efficiently. The command word was: 'assess' and unfortunately many students did not pick up on this and wasted time by describing the ratios. It is still the case that many believe there is an ideal ratio and use this to make judgements. Please note that accounting students should be aware that ideal ratios do not exist and will vary depending on the type of business. Students will not be rewarded for reference to ideal standards.

Students also tend to describe a change, eg inventory turnover increased, where in an assessment situation we are looking for evaluative terms such as improve or deteriorate.

A number of students spoiled otherwise good answers with a lack of precision by referring to assets rather than current assets and liabilities (or debts) when they should be referring to current liabilities.

Many students did not come to an overall assessment, or a statement that an overall assessment was difficult in the circumstances because of the lack of information - which would have been rewarded.

## **Question 2**

This question required students to prepare an income statement with a number of adjustments and was generally well answered with the majority of students scoring over half marks.

The presentation of the income statement and the use of detailed workings to support the statement were good.

The most significant difficulty for students is the calculation of  $33\frac{1}{3}\%$  depreciation, with a number of very strange answers being produced.

### **Question 3**

This question required students to advise whether or not to enter into a partnership. The question provided a case study with details of profits, drawings and projections for the new partnership.

The better answers given were able to use the data provided to support general statements about the benefits and drawbacks of a partnership. It should be noted that written answers should be applied to the situation given and use of the data will be rewarded.

Most students gave advice and were rewarded accordingly. However, a number did not gain the full marks available. One reasonably common issue is that students begin their answer with “entering a partnership would be good because...” and then further into the answer they say “entering a partnership would be bad because...”. In this situation it is not clear what advice they are giving and thus they cannot be rewarded.

A second situation is where the student gives clear advice, eg “Lorraine should enter into a partnership”, but then supports this by stating that the advantages outweigh the disadvantages. This is not regarded as justification of the advice and will not attract the marks awarded for justification. Students are expected to explain why the advantages outweigh the disadvantages, and in this case making reference to this particular situation.

### **Question 4**

This question focused on accounting for limited companies. Students were asked to calculate dividends before and after a bonus issue and also to calculate the value of the bonus issue. Many students did not gain full marks for the calculation of the value of the bonus issue because they did not read the question and calculated the number of shares to be issued. As in previous examinations students find it difficult to deal with shares where the nominal value is not £1. In this case many divided by 5 instead of multiplying by 5 to find the number of shares; also some correctly divided by 0.2 but were unable to calculate the correct answer.

The most disappointing answers on the question paper were for Question 4(d): requiring the preparation of a Statement of Changes in Equity. Very few students gained the full 12 marks available, with most scoring 4 or less. Many students did not understand the purpose of the statement and showed running totals rather than dealing with the events, eg the issue of shares etc. The narratives provided were also very poor with students writing in months rather than the event, eg issue of shares. Also, the vast majority of students showed the dividends separately (these should be added together to show the dividends for the year) and profit and taxation separately (again these should be netted off in the income statement before being entered in the statement of changes in equity).

### **Mark Ranges and Award of Grades**

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