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A-Level

# ACCOUNTING

ACCN2 Financial and Management Accounting  
Report on the Examination

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2120  
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## **General Comments**

It is pleasing to report that the quality of student answers continues to improve. The vast majority of students were able to provide answers to all questions. Students also show improving exam technique in the presentation of answers, use of workings and in written answers where they provided fully developed responses. However, in a significant number of cases, students failed to identify if their calculation was in pounds or units, eg value of shares or number of shares. Students should be encouraged to make sure they clearly identify answers by adding £ signs when appropriate.

It is important that students recognise the significance of the command words in each question and respond accordingly. For example, the command to 'calculate the effect' should result in a calculation rather than a written answer, and a clear statement of the impact. Also, students should always relate their answers to the information or situation given in the question if they are to gain full marks

## **Question 1**

**Q1a** This question required students to calculate the effect of a number of transactions on the profit and bank balance of the business. A significant number of students provided a prose answer to this question. It is essential that students respond appropriately to the command words. They were rewarded provided they included numbers and correctly identified the effect on profit/bank.

The average mark for this question was 3.82 which was disappointing. Common errors were the miscalculation of the number of months, including capital repayments in the calculation of profit, including depreciation in the calculation of the effect on the bank balance, not including the purchase cost in the bank balance calculation and including the purchase cost in the calculation of profit.

**Q1b** This question asked students to compare the position of a sole trader with that of the same person as a shareholder of a private limited company.

Students were able to write extensively about sole traders and private limited companies; however, the average mark of 4.74/10 indicates some problems.

The question focused specifically on the owner of the business and many student responses were too general, giving answers which did not relate to the scenario and therefore failing to gain marks. Also many student answers lacked precision and failed to explain their thinking clearly. For example, 'unlimited liability means you can lose your personal possessions', needs to be put in the context of a business failing and unable to pay its debts.

Limited liability section – Students understood unlimited liability and potential loss of personal possessions. However, with regard to limited liability, few quantified the potential loss to the owner, eg £80 000.

Ownership and control – Most students stated that the sole trader is the only owner and has total control. However, they were less clear with the limited liability situation, often describing the situation in a limited company and voting rights, etc without relating it to this situation.

Dividend payments – This caused some confusion with many students discussing dividends in relation to the sole trader and stating that dividends had to be paid.

## **Question 2**

This question required students to apply accounting concepts to make adjustments to the profit for the year and net current assets.

The average mark for this question was 13/21. Not all student answers showed the use of workings and in many cases students arrived at the correct figure to make the adjustment, but did not know the impact this would have on profit for the year and net current assets.

Not surprisingly the more complex adjustments such as the provision for doubtful debts (adjustment 4) and the disposal of a non-current asset (adjustment 5) proved the most challenging. However, many students struggled with adjustment 2 – goods on sale or return – where they found it difficult to decide the impact this would have on profit and net current assets.

## **Question 3**

This question focused on the financial statements of limited companies.

**Q3a** Required students to calculate the value of a bonus issue. This task was completed well, with most students achieving the correct numerical answer. However, a significant number failed to add the £ sign and therefore did not get full marks.

**Q3b** This task required the calculation of the dividend paid following the bonus issue. The average mark of almost 4/5 shows that this task was well answered.

There were some common errors including calculating the dividend based on the bonus issue only, failing to calculate the number of shares and applying the dividend to the share value and having difficulty multiplying by 6p, eg multiplying by 0.6.

**Q3c** This task required students to calculate the retained earnings from the operating profit figure given in the question. The average mark of 2.4/6 indicates that students found this question very challenging.

Very few students achieved maximum marks as, although they included the debenture interest in the calculation, they did not time apportion the interest.

Many students also did not include the opening retained profit, and some included the debenture itself in the calculation.

**Q3d** This task required students to prepare extracts from the balance sheet to reflect the bonus issue and revaluation of premises. The average mark for this task of 4/10 reflects the problems that students experienced.

It is pleasing that the non-current assets section of the balance sheet was shown correctly by virtually all students. However, few realised that when assets are revalued the label should reflect this and also that the revaluation eliminates the existing depreciation.

Student performance on the equity section was much more problematic. Some presented a statement of changes in equity, whilst others were unclear what should and should not be included. Many students did not show a single figure for ordinary shares, showing the original and bonus issue separately and ignoring the revaluation reserve. Others included the debenture and some the dividend payments.

#### **Question 4**

**Q4a-c** These questions required students to calculate the gross profit mark-up, gross profit margin and profit in relation to turnover.

These were generally well answered; the gross profit mark-up proved the most challenging with 74% getting the correct answer; gross profit margin was answered correctly by 80% of students and profit in relation to revenue by 82% of students.

**Q4d** This question required students to assess the liquidity of a business based on three ratios. The average mark was only 6.38/15 which is disappointing.

The majority of students were able to write extensively and give coherent answers but were let down by a lack of precision and failure to answer the question.

A significant number of students addressed the data on a year-by-year basis; whilst the previous years are significant in establishing a trend, they are not significant in assessing the current liquidity position. Answers written in this way gained marks for the comments relating to the final year only.

Many students established the trend in the ratios and were able to quantify the change, though their development of this was descriptive and not an assessment of the ratio. For example, many students would describe an 'increase' in the ratio, rather than assess this as an 'improvement'.

The inventory turnover ratio proved the most problematic for students as they were unsure if the change was an improvement or deterioration and many confused the number of times with the number of days. Please note, this is one ratio where students are expected to be able to use both versions.

Students who were able to compare the receivable days and payable days ratios generally scored quite highly - they compared and quantified the change in relationship and explained how this would impact on liquidity.

Very few students were confident in expressing how the changing ratios would impact on liquidity. There was a lack of precision in this area in particular with students confusing liquidity and liquidation and also using the term efficiency in a vague way – it was not clear if the efficiency was in terms of credit control, inventory turnover or liquidity.

Finally, a number of students spent quite a long time explaining how liquidity could be improved; unfortunately this was not answering the question and could not be rewarded.

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

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

## **Converting Marks into UMS marks**

Convert raw marks into Uniform Mark Scale (UMS) marks by using the link below.

[UMS conversion calculator](#)