



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

**Accounting**

**ACCN3**

**(Specification 2120)**

**Unit 3: Further Aspects of Financial Accounting**

***Report on the Examination***

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## Unit 3 Further Aspects of Financial Accounting

### General

It was encouraging to see that this paper produced strong numerical answers but equally some very good written responses.

The numerical responses were well presented using conventional layouts. This especially applied to the statement of cash flows, where many candidates correctly used the IAS7 format, including showing accurate sub-headings such as net cash from both investing and financing activities. The partnership current accounts were also mainly presented in the preferred column format, with appropriate labelling for the posting entries, which were required for the quality of presentation marks.

Many candidates used workings to support the numerical outcomes and this included producing an appropriation account to show the profit split between the partners. However, whilst this is technically correct, candidates should be encouraged to consider more efficient and less time consuming workings to achieve the same answer since a formal appropriation account was not required. Some candidates lost marks for not showing supporting workings and this was a particular issue when calculating sales in the income statement, profit shares in the current account, and depreciation, income tax and purchase of non current (fixed) assets in the statement of cash flows.

Written prose responses were effectively communicated and this was especially evident when articulating the treatment of items using IASs in financial statements and when assessing sources of finance. Many candidates consequently gained marks for quality of written communication because of the accuracy of answers when using spelling, punctuation and grammar. It was also encouraging to see candidates using language which demonstrated the ability to analyse and assess effectively.

### Task 1

- 01** Candidates were able to correctly calculate the closing inventory (stock) at £2 288 using the AVCO method. Where a different inventory (stock) valuation was calculated, a breakdown needed to be shown of the inventory (stock) changes at each transactions date to gain the marks. Some candidates mistakenly calculated an average cost price which was not weighted for the inventory quantities.
- 02** Many candidates were able to gain a high score for this question provided that they had used their own closing inventory (stock) from question 01 and their own cost of sales figure to compute sales. Some candidates used mark up instead of margin to calculate the sales value. A few had calculated cost of sales correctly at £9 856 but then used this same figure as sales to achieve a zero gross profit outcome.

## Task 2

- 03** Only a minority of candidates scored full marks for this task. Most were able to correctly post entries to the partners' current accounts. However, many split the £78 000 profit into two 6 month periods and then applied the different profit sharing ratios. In this situation, no adjustments were therefore made initially for appropriation account components from the partnership agreement. Some candidates used individual partner current accounts, which was a less efficient way to prepare the answers. Candidates also used a balance sheet extract format instead of a current account which was not the task requirement.
- 04** Candidates understood the basic purpose of the capital account and some were able to identify more complex uses such as to record changes to a partnership. Many made reference to a company and thus the need to consider the correct terminology to be used to describe a business form.
- 05** Fewer candidates were able to identify the purpose of a current account compared to correctly commenting on a capital account in question 04. Some mistakenly suggested that the current account is used to record all money transactions and therefore interpreted the current account as being a bank account.

## Task 3

- 06** Many candidates were able to correctly identify all three relevant IASs for the transactions, although a few mismatched the number and the description. Some mistakenly identified IAS 16 property plant and equipment for item 2 and IAS37 provisions, contingent assets and liabilities for item 3. A minority of candidates confused concepts and standards.
- 07** Candidates produced some very detailed and accurate responses which was encouraging on a conceptually difficult topic. For item 1, some are still getting confused about the calculation for NBV and how to treat the repair cost, typically adjusting it against original cost and not sales price. For item 2, candidates justified not including the patent because it was without physical substance, whilst others suggested that the patent should be treated as purchases. On item 3 many candidates identified that the transactions should either be shown as a note or that a provision for doubtful debts should be made.

## Task 4

- 08** For items being rewarded one mark each, many candidates were able to correctly include transaction amounts and in the correct direction, in the statement of cash flows. A majority of candidates did not adjust for the non current (fixed) asset disposal for depreciation and purchases of non current (fixed) assets and therefore ended up comparing the bal b/d and bal c/d amounts only to give £20 600 and £94 700 respectively. Many also used the tax liability from last year of £15 900 as tax paid. Some were still using a reconciliation statement separate to the main cash flow statement whilst others misidentified transactions between investing and financing activities. Candidates also attempted to calculate profit from operations despite this figure being provided.

- 09** Many candidates were able to identify appropriate sources of finance and assess them in detail, including applying the data from the statement of cash flows to illustrate the responses. Some candidates, however, unnecessarily commented on the difference between ordinary and preference shares and between bonus and rights issues. Candidates also made reference to public share issues despite this being a Ltd business.

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

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