

A-level

ACCOUNTING

ACCN3 Further Aspects of Financial Accounting
Report on the Examination

2120
June 2013

Version: 1.0

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General comments

The question paper produced good, and in some cases, excellent responses for all of the tasks. Most students managed to complete the paper and therefore attempt all of the tasks expected. Each task had examples of students' responses which managed to achieve full marks and this was especially impressive for the balance sheet in Task 3 where there were a number of complex incomplete adjustments to be performed in order to elicit the figures. Overall, the partnership capital accounts and sources of finance tasks were attempted best and the International Accounting Standards task was answered least well as some students only having a partial understanding of the correct accounting treatment for each standard.

Many students produced computational answers using the conventional layouts expected. However, there were some examples of students who were seemingly confused about the distinction between partnership capital and current accounts. Also, there are still many students who appear not to know how a schedule of non-current assets should be presented and consequently there were a variety of different layouts attempted, many of which were merely balance sheet extracts.

Workings continue to be done quite well generally by many students. They are detailed, clear and referenced to the main task outcome in many instances. Students should remember, though, that workings where the final outcome has not been included in the question requirement will not unfortunately be able to achieve full marks (this applied to the capital accounts, balance sheet and schedule of non-current assets). Students also need to remember that the more complex the calculation, the more marks the outcome will be worth and so with no workings, the student potentially risks getting no marks if the answer is incorrect. Students should also think about the most efficient way to show the workings, even where many alternatives could be equally acceptable, because this will save time during the exam which could be used elsewhere.

Many students produced extended prose responses where appropriate and in particular this applied to the task about sources of finance task. Students were able to provide a lot of technical knowledge about different options. However, students need to ensure that the justification for the recommendation is not merely a repeat of points previously mentioned. It should instead be a weighted argument which considers the most important factor(s) in making the decision.

Many students demonstrated good levels of spelling punctuation and grammar. By also using a full sentence structure and paragraph format, many were therefore able to achieve the marks designated for quality of written communication. The same is not unfortunately the case for the quality of presentation marks. These were attributed to the headings for the schedule of non-current assets. Some students did not include a heading but this is required as the schedule is a formal note in the published financial statements for a limited company. Also, students must include the net book values from the previous year as this provides necessary comparative data.

Task 1

- 01** Many students were able to demonstrate an understanding of partners' capital accounts by processing transactions in the correct side (Dr or Cr). There are several alternative approaches to combining the goodwill and revaluation amounts all of which are potentially valid. Students should, however, seek to perform calculations in the most efficient way possible. For example, it is easier to split the net difference on revaluation of £13 500 as opposed to splitting the £19 000 on non-current assets and the £5 500 on inventory separately. Some students included the current account balance for Len in the capital account whilst others did not and so had a loan account transfer of £45 000 instead, but either were acceptable. It was not necessary to include the current account balances for Jack and Henry but again this was not marked as being incorrect. Some students needed a bit more care and attention to detail and as such incorrectly labelled the loan account transfer amount as bank or cash and/or did not properly show the balance b/d for Jack and Henry.
- 02** The majority students were able to correctly identify appropriate sources of finance to fund the proposed expansion and also demonstrate some good technical knowledge to support the answer. However, some students unfortunately suggested sources of finance which were inappropriate in the context including a bank overdraft which is only for short term use. Some students identified, for example, share issues which, was incorrect unless it was qualified by stating that the partnership would first need to convert to a limited company. Some students also gave only one, or sometimes more than two sources of finance and so were not answering the task in accordance with the requirement in bold to provide two sources of finance.

Task 2

- 03** Most students correctly recognised that IAS 2 inventories was the most relevant IAS for situation 2. However, many students did not identify the intended IAS for either situation 1 or 3. Some alternative IASs were allowed within reason where these could be justified based on the scenario descriptions. This meant allowing IAS 10 as an alternative to IAS 37 for the pending legal proceedings and accepting IAS 16 instead of IAS 36 for the IT equipment.
- 04** Many students were confused about the correct accounting treatment and so either responded with brief or, in some cases, incorrect disclosures in the financial statements. Although not essential, nevertheless to use the financial information provided to illustrate the disclosure requirements is an effective way to demonstrate, and therefore to be rewarded for application. For the inventory, some students did use calculations, but made the usual mistakes of applying mark-up not margin and/or by adding the modification expense to the original cost as opposed to deducting them from the selling price. For the IT equipment, some students got confused about the differences between carrying amount, fair value and value in use. Some students also assumed incorrectly that the IT equipment was being disposed of and not merely impaired.

Task 3

- 05** Most students were able to produce a balance sheet and some students were able to extract all of the missing figures required which was very commendable. Some used margin not mark-up to find purchases and gross profit values. Some students are still not using the correct statement of affairs approach to determine opening capital and are instead ascertaining this value as a balancing figure on the balance sheet which unfortunately relies on all other amounts being correct. The majority of students did use the correct approach but omitted to include the opening bank overdraft and therefore ended up with capital of £118 830. Another common mistake was to not add back the loss on disposal to the sale proceeds and this gave a depreciation amount of £16 400 and ultimately a net book value of £65 600 for the non-current assets.

Task 4

- 06** Many, but not all, students were able to produce a schedule of non-current assets in the correct format. Some assumed a straight line approach when attempting to determine the original cost of the disposed motor vehicle by working backwards from the net book value. Some students calculated an incorrect depreciation charge for the year on motor vehicles, but were still able to gain some reward in many instances where workings had been shown clearly. Another common error was in not eliminating the accumulated depreciation on the land and buildings at the time of the revaluation.

Mark Ranges and Award of Grades

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