

A-level

ACCOUNTING

ACCN3 Further Aspects of Financial Accounting
Report on the Examination

2120
June 2014

Version: 1.0

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General comments

The question paper produced some very competent responses across the full range of tasks and topics being examined. A high proportion of students were able to elicit a respectable outcome for all questions which demonstrated a thorough grasp of the subject. They also showed an ability to apply their knowledge and understanding to the scenarios to complete the requirements fully within the time constraints. All tasks had examples of students who were able to achieve the full marks available, and this was arguably most impressive for the incomplete records question where there were some challenging calculations required in the construction of the income statement. Overall, this task was also answered best in contrast to the tasks pertaining to the statements of cash flow which, in contrast, were answered least well.

Layouts for the computational tasks were generally well presented and followed the standard conventions. This was especially pleasing in the case of the partnership capital accounts where most students used the more usual columnar ledger accounts. It is to be expected that students would be able to prepare the income statement and balance sheet correctly given that these are well practised in terms of the general principles at AS level and this was indeed the case. Statements of cash flow continue to create some confusion in terms of the layout to be applied and this was compounded further in this paper where only extracts were required.

The majority of students are producing good workings which are well presented and clearly referenced to the main task outcome. It should be noted that workings, where the outcome is not transferred to the main task requirement, will no longer be awarded any marks, and this is a change to the previous approach of partially rewarding workings in isolation if some aspects of these were correct. It should also be noted, however, that the number of cases where workings were not in any way linked to the main computational outcome were almost non-existent. As an example, workings to calculate a revaluation surplus or deficit, regardless of how technically correct, would be awarded none of the 5 marks available if the results were not transferred in to the capital account to clarify the impact of the revaluation on the partners' capital investment in the business. Although workings can take a variety of different forms, it is perhaps worth noting that more standard approaches help with clarity. For example, using a ledger account format for partnership revaluation and for the workings in the incomplete records task does make it easier to understand the calculation process.

Many students produced very detailed written responses to both the sources of finance and the international accounting standards tasks which was very encouraging. In some instances, however, students have a tendency to repeat the same points in different parts of the response, but will only be rewarded where distinctly different arguments are being subsequently presented. It should also be re-emphasised that the recommendation justification for the most appropriate source of finance needs to be a more sophisticated comment than merely repeating any points previously stated per se.

Most students within their detailed written responses were able to demonstrate a good level of communication skills to attract the quality of written communication marks. Accuracy in regards to spelling, punctuation and grammar was consequently of a good standard. The quality of presentation marks, in this instance were allocated to the main and sub headings in the income statement and were done quite well. However, there are still instances of the main heading being abbreviated, no clear label being shown for cost of sales, and the profit for the year description sometimes contradicting the own figure where, for example, a loss had been incurred.

Task 1**01**

Many students were able to produce reasonable partners' capital accounts and had a sound understanding of the underpinning double entry principles. Some common problems specific to this task scenario were that some students did not isolate the motor vehicle being taken by Pritchard as the retiring partner and so used a revaluation amount of £24 500 instead of the correct £26 500. Also, many students either made an incorrect adjustment to, or no adjustment at all, for the provision for doubtful debts against trade receivables. Where this was the only problem, students were then typically splitting the revaluation surplus to show figures of £11 550, £7 700 and £3 850 respectively. Some mistakes were more elementary and would apply equally to any similar question for preparing partners' capital accounts to record the retirement of a partner and these included: transferring the current accounts into the capital accounts for the partners who are remaining in the business; having balance c/d and balance b/d amounts which do not correspond correctly, and having a balance b/d for the partner who has retired. Finally, there were examples of students potentially getting the correct outcomes but producing too many unnecessary calculations in the process for example, splitting each revaluation amount individually for vehicles, inventory and trade receivables.

02

Most students were able to prepare the partnership balance sheet, especially if they had previously prepared the partners' capital accounts with some degree of accuracy. The figures for bank, capital accounts and current accounts did need to correspond with the own figures from the previous task to be rewarded. There were some instances where the capital accounts were not the balance b/d amounts from question 01 and also cases where the bank had been adjusted for by more than merely the (own figure) amount being paid to Pritchard as the retiring partner.

Task 2**03**

Most students were able to produce reasonably good income statements with some students being completely correct which was impressive given the complexity of some of the adjustments. Some students showed a revenue figure of £124 400 and had not therefore allowed for the opening and closing balances for the cash in hand. Some students were confused with the prepaid and accrued amounts for insurance and wages and salaries respectively. They either reversed the opening and closing amounts or only adjusted for the closing balances. Most students were able to manipulate the margin to then correctly determine own figure amounts for cost of sales, gross profit and opening inventory. It should be noted that this question integrated inventory reconciliations and that this blended approach to scenarios is perfectly valid. A proportion of students did not make the correct adjustments here, though some did but got a closing inventory amount of £9 450 by virtue of not converting the subsequent sales to cost price.

Task 3**04**

Many students did not fully understand the fact that an extract was required and so either did not clearly show an extract of the appropriate financing activities section or did show this section but then also included other amounts which were not relevant in the context of the scenario. Many students were able to calculate the share issue proceeds of £144 000 correctly. However, a common error subsequently was to calculate dividends based on the original shareholding and the rights issue combined which meant that the amount being disclosed was quite often £134 400. Students need to note that precise descriptions of sub headings are expected.

05

Students who were able to complete question 04 were often able to also complete this task, but there were exceptions. The amount for the issue of the debenture loan should have been the same as for the rights issue but this did not always correspond using own figures. As with question 04, some students also got an interest paid figure of £11 200 where this had been computed using the existing and the new loans. Some students did not appreciate that more than one section of the statement of cash flows was required and there were cases of inaccurate heading descriptions.

06

Most students were able to demonstrate some understanding of both ordinary share and debenture loans and knew about their relative generic characteristics, benefits and drawbacks. However, many responses had limited application to the appropriateness of funding the proposed expansion and also did not use any data from the scenario to support the outcome. The better responses were able to draw on figures from questions 04 and 05 in a fully integrated way and also extend this to include more complex calculations of gearing, for example, to illustrate the risk involved in using the different finance sources. Most students had a recommendation, although the rationale for this choice was in some cases rather unsophisticated and tended to merely repeat earlier parts of the discussion.

Task 4**07**

Some students demonstrated a very detailed understanding of the framework for compliance with international accounting standards and consequently generated a detailed and informed response. Some responses, however, were a bit less detailed in terms of the purposes and importance of compliance. In these cases, the responses tended to focus more on describing one or more specific international accounting standards from the specification and their treatments and/or describing a variety of accounting concepts. There were some marks for providing examples, but these were limited and only awarded when relevant to the task requirements.

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