



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

Accounting

ACCN3

(Specification 2120)

Unit 3: Further Aspects of Financial Accounting

Report on the Examination

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General

It was encouraging to see that many students were able to produce a good response to all tasks posed. There were not many who were unable to fully complete the paper to the best of their ability in the time available. The only exception to this in some cases was question 9 where some students clearly didn't fully understand what was meant by statements of affairs and so didn't attempt the task at all.

Most students produced responses which matched the question requirements. However, students need to be especially careful to only do what is expected. This applies for example where a question quantifies in bold the number of reasons expected in the response such as in question 3 on inventory methods and question 7 on statements of cash flows (where it clearly specified two in both cases). Also, students didn't always adhere to the instruction to only produce an extract or a certain part of a computation as was evident again with the statement of cash flows.

The presentation for computation based questions is generally of a high standard. Equally, the accuracy of applying prescribed formats is good and this applies in particular to the statement of cash flows where the appropriate sub headings for investing and financing activities were used properly. Some presentation is, however, unnecessary including using trading accounts and balance sheets where these are not needed. Also, some are still not using columnar partnership accounts and are therefore producing separate accounts for each partner which, whilst not incorrect, is not time efficient.

Many students are using clear and well referenced workings to the main outcome. Many of these workings include properly constructed ledger accounts even where these are not required specifically (including realisation accounts and accounts for both trade receivables and trade payables). There are fewer students showing figures not supported by workings, but students should remember that in the absence of workings, and where the figure is not a recognised outcome, then no marks can be rewarded.

The standard of written communication was generally commendable with most writing in full sentence and paragraph structure. Within this the accuracy of spelling, punctuation and grammar was also quite good. Students should, however, ensure that technical subject based terms are correctly spelt as well. Traditional terminology is acceptable in answers, although question papers now only use the international terms. Many students wrote extensive responses which were entirely appropriate in some cases, particularly question 10 where there was a total of 16 including those for quality of written communication.

Most were able to recognise where a decision was required such as whether or not to use share issue as start-up capital in question 5 or whether to implement double entry book-keeping in question 10. However, in some cases, students need to review the extent to which they justify the decision and also how that is conveyed. Many students merely repeat comments and points already stated and thus gain no more marks. The justification needs to be a different point, for example a comment which weights the benefits and drawbacks or prioritises the most significant issues in arriving at the outcome.

Task 1

01 Many students were able to correctly calculate the closing inventory valuation of £94 550. However, some applied margin and not mark-up when deriving the cost price for both sales and sales returns. Others didn't even attempt to convert selling prices to cost prices for inclusion in the computation. Some adjusted the transactions in the wrong direction to convert inventory back to the year-end date.

- 02** Most students were able to correctly calculate the gross profit of £9 040 and this was especially the case where the student had understood how to calculate the inventory in question 1. Some adjusted the inventory figures in the wrong direction and therefore deducted the figure using AVCO whilst adding the figure using FIFO. Many students attempted to produce a trading account extract which was unnecessary and also not entirely possible given that there was no opening inventory figure provided using the AVCO method.
- 03** Students showed a very good understanding when demonstrating the relative benefits of FIFO over the AVCO method to justify why a change would not be advisable. Some students however commented on the relative benefits of AVCO instead and these were not relevant given that the question clearly directs the students towards explaining reasons why the method should not be changed. Some were incorrect in stating that it is in fact AVCO that would lead to the higher profit and inventory valuation in the short term. Some wrote an extended response which clearly covered many more than just two reasons and was therefore potentially worth more than the 4 marks available.

Task 2

- 04** Many students were able to construct the partnership capital accounts and understood the double entry principles for the ledger entries. However, many did not understand the rule in Garner v Murray and therefore either did not attempt to split the deficiency for Voeckler between Evans and Schleck or did, but used proportions not based on the opening capital balances of a 60:40 ratio. Some students attempted to include the bank overdraft either in the calculation of the dissolution loss or by merely entering it separately in the partnership accounts. They also completed the ledger accounts by showing a bal c/d and subsequently a bal b/d even though the partnership was being dissolved. Many students produced a detailed realisation account and bank account which were viable workings but not absolutely necessary and rather time consuming.
- 05** Students were able to demonstrate a good knowledge of share issues. They were also able to apply the requirements of the command word assess and so gave a balanced consideration of the benefits and drawbacks before recommending the suitability of shares to finance business start-up capital. Most commented about ordinary shares even though the type of share was not specified as such in the scenario. Students who commented on preference shares or other sources of finance were rewarded provided that they were argued from the perspective of being more appropriate than a share issue.

Task 3

- 06** The large majority of students were able to produce a statement of cash flows and broadly understood the IAS7 prescribed layout requirements including where and how to disclose different cash flow transactions. However, some produced the full statement of cash flows even though this was not required and thereby repeated quite lengthy information from the question unnecessarily. Many students did not read some of the detail given in the additional information and this resulted in incorrect calculations of loan interest (where no time apportionment was made for the loan issued during the year) and dividends (where no recognition was made of the fact that the shares had a nominal par value of £1.50). Some were not able to fully understand the composition of the calculation to determine the cost of acquiring a new non-current asset with the most common omission being the revaluation element. Many students didn't include the bank overdraft in the figures for cash and cash equivalents and thus only included the cash element from current asset for both years.
- 07** Many students were able to comment on the usefulness of the statement of cash flows and applied this specifically to debenture holders. Few therefore made generic comments, which was encouraging. However, some again produced an extended prose response which arguably included more than merely two reasons of usefulness.

Task 4

- 08** Most students were able to produce the income statement extract and recognised that this was effectively the trading account section. Many did not show the split between purchases and goods for own use in the cost of sales section and so did not gain full marks (even though they may have had the correct net outcome of £35 530). Some applied mark-up and not margin to derive cost of sales. A few students used receipts from trade receivables as revenue and payments to trade payables as purchases without adjusting for the opening and closing balances. Some students adjusted these same balances but incorrectly.
- 09** Many students did not appear to understand what is meant by the term 'statements of affairs'. Few therefore calculated the opening and closing capital figures correctly as a part of the procedure for determining profit for the year. Many students either produced a full balance sheet at 30 November 2012 or attempted to produce a profit and loss account commencing with the gross profit from question 8. Some did not include the goods for own use from question 8 as part of the drawings figure.
- 10** Many students demonstrated a very good understanding of double entry book-keeping and displayed a sound knowledge of the system's relative benefits and drawbacks. A balanced response was therefore conveyed by many leading to an overall recommendation as required.

Mark Ranges and Award of Grades

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