A-level

ACCOUNTING

ACCN4 Further Aspects of Management Accounting
Report on the Examination

General Comments

As usual a variety of topics was covered in this examination and although at times there were obvious gaps in student knowledge, the majority of students were able to access the paper and produce reasonable answers to each question. There were some excellent scripts illustrating that students had been very well prepared for this examination by producing well thought-out logical and balanced prose answers relating to the scenario given plus neatly presented workings to support their comments. Students are recommended to use conventional tables or schedules where appropriate, for example to calculate the OAR in question 1 or to work out the production levels for each of the periods 1-3 in question 3.

Task 1

01   Although the majority of students were able to answer this question well, the main errors were apportioning the repairs between the departments rather than allocating them directly to the cutting and assembly departments, and re-apportioning the canteen department overheads to the other departments before the maintenance department. Although an overhead schedule was not required the majority of students produced a table clearly showing the bases used and the apportioned overheads for each department. This approach is preferable to just workings.

02   Most students correctly calculated the direct materials and direct labour for each type of rug. However, very few students knew how to correctly use the overhead absorption rates prepared in Question 1 to calculate the overheads. Various incorrect approaches were used including multiplying the OAR by the hourly labour rate and adding a whole single hour per rug, that is £24 and £69.

03   This question was correctly answered by most students who were able to refer to ABC as being more accurate and less arbitrary than absorption costing by identifying the cost driver which causes the overhead. The main error was to omit any reference to the benefits of using ABC when calculating the actual selling price. Student knowledge must always be related to the actual requirement of the question.

Task 2

04   Many students produced good layouts to answer this question with the prime cost and production cost clearly identified. The main error was failing to read that the manufacturing account was to be prepared for three periods not just one. Different approaches were acceptable when calculating the direct labour cost with some students calculating the cost for each type of rug, whereas others calculated the labour cost per department. No entries for work in progress or transfer pricing were necessary.

05   The majority of students achieved full marks by producing a well prepared and neat table for the production budget whereas other students produced just workings. The most common error was to add the opening inventory and to subtract the closing inventory.

06   Although some related their comments on Gawain's belief that efficiency would increase to the production budget prepared in question 5, the majority of students gave generic answers on the benefits of budgeting, such as planning, control and communication. Again in prose questions it is especially important to relate the answer to the scenario given. This adds substance to the quality of answer given rather than producing an answer learned by heart.

Task 3

07   The majority of students were able to achieve full marks on this question as they knew how to apply the data given in the question to calculate the sales variances. The most common errors were to not clearly identify which variance was which and to give the wrong direction for each variance. These were income variances and so an increase in volume is favourable, as, for example, the sales volume variance for the patterned rugs.

08   The better answers showed the calculation of the effect of each variance for each type of rug on profit as well as the reasons behind each variance. Some good students referred to the overall effect being a favourable increase in profit of £380 000. Other students commented that Gawain could see that as the price of rugs went up so the amount sold decreased (price elasticity). Weaker answers just gave generic comments on what variances were and how they could be used. Although not required, very few students compared the actual selling prices with the ones based on the OARs.

Task 4

09   Although some students were able to correctly calculate the payback in either periods, years and days/weeks/months, other students did not know the correct approach or were not able to calculate the inflows and outflows. This question was generally poorly answered.

10   The quality of answers to the social accounting questions has improved. This question asked for a judgement to be made from the viewpoint of the shareholders. Many students gave valid comments which unfortunately were generic without considering the shareholders. Many students wrote detailed answers considering both the financial and non-financial effects of buying the machine and/or buying in from China. Good answers contained numerical calculations to support their comments and referred to communication issues, lack of quality control when produced abroad, exchange rate differences and sources of finance bearing interest which reduced profit. Shareholders comments referred to reduced profits which reduced dividend payouts and possible changes in the market value of a share. Although most students were able to justify their final recommendation others were unable to make a clear decision.

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