



External Assessment Report 2013

Subject	Accounting
Level	Higher

The statistics used in this report are pre-appeal.

This report provides information on the performance of candidates which it is hoped will be useful to teachers/lecturers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding. It would be helpful to read this report in conjunction with the published question papers and marking instructions for the examination.

Comments on candidate performance

General comments

Candidates generally coped well with this assessment, which was relatively demanding in some areas but straightforward in others. Candidate performance in Section A (Financial Accounting) was slightly better than in Section B (Management Accounting).

In Section A of the question paper, the Financial Section, Question 1 (the compulsory Financial question) was based on the final accounts of a public limited company. Candidates coped reasonably well with this question (see areas of difficulty below). Within the choice of practical questions, more candidates opted for Question 3, which was based on the accounts of a Not-for-Profit-making organisation, rather than Question 2, which was based on the less popular topics of Ratio Analysis, Forecasting and Correction of Errors.

The theory questions in this section were based on the theory of Partnership (Question 4) and the Duties of a Financial Accountant, along with the comparison of Ordinary Shares and Preference Shares. A higher percentage of candidates opted for Question 4 and generally performed better than those who attempted Question 5.

In Section B of the Question Paper, the Management section, Question 6 (the compulsory question) was based on the often less popular topic of Decision Making (40 marks) along with Process Costing (10 marks). There was a mixed response to this question, with Decision Making being a topic with which candidates historically tend to struggle. In the choice of practical questions, a higher percentage of candidates opted for Question 7. This was based on the popular topics of Budgets and Stock Record Cards. Performance in this question was generally good. The other optional question (Question 8) was based on Overhead Analysis and Job Costing. Candidates seemed to cope well with the Overhead Analysis section but struggled with the Job Cost Statement.

The theory questions in this section were based on the theory of Break Even Analysis (Question 9) and Stock Control with costing terms (Question 10). Both questions proved equally popular with candidates but performance in both was relatively poor.

It was generally thought that candidate performance was of a slightly lower standard than that achieved in the previous assessment in 2012, although most candidates managed to complete the required six questions in the designated time.

Areas in which candidates performed well

Question 1

- ◆ Layout of Final Accounts was generally well presented
- ◆ Application of Provision for Bad Debts
- ◆ Calculation of both Depreciation figures
- ◆ Calculation of Debenture Interest
- ◆ Calculation of Final Ordinary Dividend

- ◆ Treatment of surplus on revaluation in Fixed Assets

Question 2

- ◆ Calculation of Return on Capital Employed
- ◆ Calculation of Debtors' Collection Period
- ◆ Calculation of Gross Profit Ratio for Year 5

Question 3

- ◆ Layout of Bar Trading Account was generally good
- ◆ Layout of Income and Expenditure Account was generally good

Question 4

- ◆ Stakeholders section was well attempted
- ◆ Steps for Admission of new partner was generally well answered

Question 6

- ◆ Initial calculation of unit selling price, unit total variable cost and unit contribution was generally well attempted

Question 7

- ◆ Layout of Production Budget and Cash Budget were both generally good
- ◆ Production Budget was well attempted
- ◆ Cash Budget was generally well attempted
- ◆ Stock Record Card well attempted

Question 8

- ◆ Overhead Analysis Statement was generally well attempted and presented

Question 10

- ◆ Explanation of Semi-Variable Cost

Areas which candidates found demanding

Question 1

There was a varied response to this question. Although the layout and presentation of the final accounts was generally good, candidates are still losing unnecessary marks for omission of labels and headings. A good proportion of candidates are also still losing marks for extraneous entries, ie putting entries in the wrong account. For example, candidates may place Share Premium in the Profit and Loss and Appropriation Account rather than the Balance Sheet.

Candidates experienced difficulty in the following areas:

- ◆ Placement of Warehouse Expenses
- ◆ Placement of Dividends on Investments in Final Accounts
- ◆ Incorrect treatment of the omitted cheque for Rent
- ◆ Writing off of Goodwill and its placement in accounts

- ◆ Closing Stock figure – using market value
- ◆ VAT treated as a Current Liability
- ◆ Bank figure treated as a Current Asset rather than a Current Liability
- ◆ Incorrect treatment of Rent omitted on Bank figure
- ◆ Writing off of Preliminary Expenses
- ◆ Calculation of correct final Share Premium figure
- ◆ Incorrect order in Financed section of the Balance Sheet
- ◆ Placement of Debentures in the Balance Sheet

Again, it should be emphasised that a percentage of candidates lost needless marks in this question through the omission of labels and correct headings. Also, candidates lost needless marks by entering extraneous items in the wrong account. VAT, Share Premium and Preliminary Expenses were prime examples of this.

Question 2

Fewer candidates attempted this question, opting instead for the Not-for-Profit Making option in Question 3. Candidates who opted for this question experienced difficulty in the following areas:

- ◆ Calculation of Mark-up Ratio
- ◆ Calculation of Fixed Asset Turnover
- ◆ Forecasting new figures for Year 5
- ◆ Reasons for the change in Gross Profit Ratio – poorly attempted
- ◆ Treatment of errors in Part B and presentation of Statement to show amended Net Profit figure

Question 3

More candidates opted for this question in preference to Question 2. There was a mixed response to the question with candidates experiencing difficulty in the following areas:

- ◆ Calculation of opening Accumulated Fund
- ◆ Adjustment of Purchases in the Bar Trading Account
- ◆ Failure to work out a Profit or Loss on Fund-Raising Events
- ◆ Capitalisation of Life Membership Fees
- ◆ Calculation of final Subscriptions figure
- ◆ Placement of Capital Expenditure items in Income and Expenditure Account
- ◆ Calculation of Depreciation figure on Equipment
- ◆ Calculation of closing Bank balance

As in Question 1, some candidates lost unnecessary marks in this question through the omission of labels, incorrect or omitted headings, and placement of extraneous items.

Question 4

This question was more popular with candidates than Question 5 and was generally better attempted. Candidates experienced difficulty in the definition of 'Limited Partner'

Question 5

Fewer candidates attempted this question, preferring Question 4 instead. Performance in this question was not as good as Question 4. Candidates experienced difficulty in the following areas:

- ◆ Stating the actual duties of a Financial Accountant
- ◆ Making a correct comparison between Ordinary Shares and Preference Shares

Question 6 – part A

There was a mixed response from candidates for this part of the compulsory Management question, and candidates generally struggle with this topic. Parts (a) and (b) were reasonably attempted but parts (c), (d) and (e) proved more difficult. The main difficulties encountered were:

- ◆ Calculation of contribution per machine hour to decide order of priority
- ◆ Application of order of priority in Profit Statement
- ◆ Calculation of new profit or loss in (d) – again no order of priority based on limiting factor
- ◆ Wrong effective use of Opening and Closing Stock figures

Question 6 – part B

There was a mixed response to this question. Candidates would generally expect to be asked to present a Process Account, but this time they had to calculate specific figures that would appear in a Process Account. Candidates experienced difficulty in the calculation of Normal Loss and Abnormal Loss

Question 7 – part A

This question was a more popular choice than Question 8. Candidates generally coped well with this question, which was on the whole well presented, but some candidates experienced difficulty in the following areas:

- ◆ Omission of correct heading for Cash Budget
- ◆ Treatment and placement of Loan, Ordinary Shares and Share Premium
- ◆ Calculation of Proceeds of Sale of Van (not profit or loss)
- ◆ Calculation of Loan Repayment and Interest

Question 8

This question was a less popular choice than Question 7. It was based on the topics of Overhead Analysis and Job Costing. Parts (a) and (b) were generally well attempted, but Part (c) was poorly attempted. Candidates experienced difficulty in the following areas:

- ◆ Correct Application of Overhead Absorption Rates in Job Cost Statement
- ◆ Calculation and application of Labour Hour Rate in Job Cost Statement
- ◆ Calculation of Profit Margin

Question 9

This question was an equally popular choice with Question 10. It was based on the topic of Break Even Analysis and was not well attempted. Candidates experienced difficulty in the following areas:

- ◆ Stating assumptions of Break Even Analysis
- ◆ Correct explanation of Profit Volume Ratio and Margin of Safety

Question 10

This question was based on the topics of Stock Control and general costing terms. Candidates experienced difficulty in the following areas:

- ◆ Correct knowledge of the factors affecting setting re-order quantities
- ◆ Explanation of 'Opportunity Cost'

Advice to centres for preparation of future candidates

Although general performance in this year's assessment was relatively good, markers have again highlighted the number of candidates who scored very poorly in this examination, and have questioned whether candidates should have been presented for the Intermediate 2 examination rather than the Higher.

As previously stated, many candidates lost marks unnecessarily by omitting relevant labels and headings from accounts or entering incorrect headings, eg Balance Sheet for year ending. It is imperative that, in class teaching and in the preparation for assessments, this is stressed to prospective candidates. This should be stressed especially in Financial Accounting. In Management Accounting candidates are also losing unnecessary marks by not producing a statement when asked for one. A correct statement should have a heading and a final label.

Candidates are still losing unnecessary marks by including extraneous items in relevant accounts. A candidate can possibly lose up to a maximum of 6 marks in Financial Accounting questions by entering incorrect items in the wrong account, eg placing Share Premium in the Profit and Loss Account.

It should also be stressed to candidates that all workings should be shown. Candidates lose unnecessary marks by just placing a final figure in their answer rather than also showing workings. Their final answer may be wrong and they will receive no marks, whereas if workings are shown they may gain some marks. This was highlighted in the Income and Expenditure Account in this assessment, where working was commonly not shown for the final Subscriptions figure.

Statistical information: update on Courses

Number of resulted entries in 2012	1155
Number of resulted entries in 2013	1072

Statistical information: Performance of candidates

Distribution of Course awards including grade boundaries

Distribution of Course awards	%	Cum. %	Number of candidates	Lowest mark
Maximum Mark 200				
A	33.7%	33.7%	361	140
B	19.1%	52.8%	205	120
C	18.4%	71.2%	197	100
D	6.3%	77.5%	68	90
No award	22.5%	100.0%	241	-

General commentary on grade boundaries

- ◆ While SQA aims to set examinations and create marking instructions which will allow a competent candidate to score a minimum of 50% of the available marks (the notional C boundary) and a well prepared, very competent candidate to score at least 70% of the available marks (the notional A boundary), it is very challenging to get the standard on target every year, in every subject at every level.
- ◆ Each year, SQA therefore holds a grade boundary meeting for each subject at each level where it brings together all the information available (statistical and judgemental). The Principal Assessor and SQA Qualifications Manager meet with the relevant SQA Business Manager and Statistician to discuss the evidence and make decisions. The meetings are chaired by members of the management team at SQA.
- ◆ The grade boundaries can be adjusted downwards if there is evidence that the exam is more challenging than usual, allowing the pass rate to be unaffected by this circumstance.
- ◆ The grade boundaries can be adjusted upwards if there is evidence that the exam is less challenging than usual, allowing the pass rate to be unaffected by this circumstance.
- ◆ Where standards are comparable to previous years, similar grade boundaries are maintained.
- ◆ An exam paper at a particular level in a subject in one year tends to have a marginally different set of grade boundaries from exam papers in that subject at that level in other years. This is because the particular questions, and the mix of questions, are different. This is also the case for exams set in centres. If SQA has already altered a boundary in a particular year in, say, Higher Chemistry, this does not mean that centres should necessarily alter boundaries in their prelim exam in Higher Chemistry. The two are not that closely related, as they do not contain identical questions.
- ◆ SQA's main aim is to be fair to candidates across all subjects and all levels and maintain comparable standards across the years, even as arrangements evolve and change.