



External Assessment Report 2014

Subject(s)	Accounting
Level(s)	Higher

The statistics used in this report are prior to the outcome of any Post Results Services requests

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

There was a varied response from candidates with this assessment, which was relatively demanding in certain areas but quite straightforward in others. It was generally thought by markers that the candidate performance was of a lower standard than had been achieved in previous assessments.

In Section A of the question paper, the Financial Section, Question 1 (the compulsory question) was based on the final accounts of a Not-for-Profit organisation. Most candidates coped fairly well with this question (see areas of difficulty below). From the choice of practical questions, most candidates opted for Question 2 in preference to Question 3. Question 2 was based on the popular topic of Manufacturing Accounts. Question 3 was based on the less popular topics of Ratio Analysis and Partnership Admission.

The theory questions in the Financial Section of the paper were based on the theory of Public Limited Companies (Question 4) and financial accounting terms (Question 5). A higher percentage of candidates opted for Question 4, but markers commented that financial theory was poorly attempted.

In Section B of the question paper, the Management (Costing) Section, Question 6 (the compulsory question) was based on the usually popular topic of Budgets. The response to this question was not as good as performance in previous years (see areas of difficulty below). From the choice of practical questions, more candidates opted for Question 7 in preference to Question 8. Question 7 was based on the topics of Service Costing and Break-Even Analysis and was generally well attempted. Question 8 was based on the less popular topics of Process Costing and Decision Making, but performance in this question was generally good.

The theory questions in this section were based on Overhead Analysis (Question 9) and management accounting terms (Question 10). Both questions proved equally popular with candidates. Performance in Question 9 was slightly better than in Question 10.

Overall the question paper was slightly more demanding than in previous years, primarily due to question 6 and this was taken into account when setting the grade boundaries. However, as previously stated, it was generally thought by markers that candidate performance was of a lower standard than that which has been achieved in previous assessments. Some candidates struggled with this assessment.

Areas in which candidates performed well

Question 1

- ◆ Layout of Final Accounts was generally well presented
- ◆ Calculation of Bar Profit
- ◆ Calculation of Machinery Depreciation

Question 2

- ◆ Layout of Manufacturing and Trading and Profit and Loss Accounts was well presented
- ◆ Apportionment of Expenses was generally well done
- ◆ Treatment of Provision for Bad Debts

Question 3

- ◆ Calculation of Profit or Loss on Revaluation
- ◆ Calculation of New Capital balances
- ◆ Calculation of Gross Profit
- ◆ Calculation of Debtors' Collection Period
- ◆ Calculation of Acid Test Ratio

Question 4

- ◆ Naming the two documents — Articles of Association and Memorandum of Association

Question 5

- ◆ Explanation of Share Premium
- ◆ Explanation of Capital Expenditure

Question 6

- ◆ Layout of the Production Budget and Cash Budget were both generally good
- ◆ Calculation of Cash Sales
- ◆ Calculation of Material Cost

Question 7

- ◆ Calculation of certain individual costs – Accommodation, Fuel, Tyres, Wages
- ◆ Break-Even analysis was well attempted

Question 8

- ◆ Process Account was generally well presented
- ◆ Calculation of contribution per unit

Question 9

- ◆ Methods of calculating overhead absorption rates was well attempted

Question 10

- ◆ Explanation of Piece Rate
- ◆ Explanation of Limiting Factor

Areas which candidates found demanding

Question 1

There was a varied response to this question. The layout and presentation of the final accounts were generally good, but candidates are still losing unnecessary marks for the omission of labels and incorrect headings. Some candidates are still losing marks for extraneous entries, ie putting entries in the wrong account — one example of this was

placing Purchase of Machinery in the Income and Expenditure Account rather than the Balance Sheet.

Candidates experienced difficulty in the following areas:

- ◆ Calculation of Accumulated Fund — not coping with start of year Subscriptions figures
- ◆ Adjustment of Purchases in the Bar Trading Account
- ◆ Calculation and placement of Life Membership Fees
- ◆ Repeating Bar items in the Income and Expenditure Account
- ◆ Failure to calculate a profit figure for Gaming Machines
- ◆ Placing depreciation of Bar Fixtures in the Income and Expenditure Account
- ◆ Stock of Grass Seed at the end of the year
- ◆ Placing Subscriptions in advance and accrued in the wrong part of the Balance Sheet

Candidates also lost marks in this question by failing to show working — for example the calculation of the Subscriptions figure carried 4 marks, and candidates who did not show working here lost marks needlessly.

Question 2

More candidates attempted this question than Question 3. Candidates experienced difficulty in the following areas:

- ◆ Deducting Factory Overheads from Prime Cost
- ◆ Calculation of Manufacturing Profit
- ◆ Placement of Warehouse Expenses
- ◆ Placement of Manufacturing Profit in the Trading and Profit and Loss Account
- ◆ Calculation of Final Ordinary Dividend

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

Question 3

A lot fewer candidates opted for this question, choosing Question 2 instead, but those candidates who did attempt it coped fairly well with it — especially the Admission of Partner section.

Candidates experienced difficulty in the following areas:

- ◆ Writing off Goodwill in the new profit sharing ratio
- ◆ Calculation of Mark-up Ratio
- ◆ Explanation of changes in the Debtors' Collection Period and Gross Profit Ratio

Question 4

This question was more popular with candidates than Question 5. Candidate performance part (a) of the question was much better than part (b), where many candidates failed to compare Debentures with Preference Shares.

Candidates experienced difficulty in the following areas:

- ◆ Knowing the features of the Articles and Memorandum of Association
- ◆ Being able to make a comparison between Preference Shares and Debentures

Question 5

Fewer candidates attempted this question, preferring Question 4 instead. Candidates experienced difficulty in the following areas:

- ◆ Rights Issue of Shares
- ◆ Factoring

Question 6

There was a mixed response from candidates for this compulsory question based on the usually popular topic of Production and Cash Budgets. Candidates experienced difficulty in the following areas:

- ◆ Calculation of Closing Stock in the Production Budget
- ◆ Omission of correct heading for Cash Budget
- ◆ Treatment of Credit Sales
- ◆ Calculation of Proceeds of Sale of Van (not profit or loss)
- ◆ Calculation of Variable Overhead
- ◆ Placement of Ordinary Shares and Share Premium (in Payments instead of Receipts)

Question 7

This question was a more popular choice than Question 8 and was generally well done. It was based on Service Costing (30 marks) and Break-Even analysis (10 marks)

Candidates experienced difficulty in the following areas:

- ◆ Calculation of Bus Depreciation
- ◆ Calculation of Cost of Golf
- ◆ Failure to produce a statement to show the annual cost of providing golf packages
- ◆ Calculation of Profit Margin

Question 8

This question was a less popular choice than Question 7 but was generally well attempted. It was based on the topics of Process Costing (20 marks) and Decision Making (20 marks). Candidates usually struggle with the less popular topic of Decision Making but this was well attempted. Candidates experienced difficulty with the following areas:

- ◆ Calculation of Fixed Overheads
- ◆ Calculation of Abnormal Loss
- ◆ Presentation of the Abnormal Loss Account
- ◆ Calculation of Profit Margin
- ◆ Calculation of Contribution per Labour hour to decide order of priority

Question 9

This question was generally well attempted and was slightly more popular than Question 10. Candidates experienced difficulty in:

- ◆ Explanation of 'allocation' of overheads and 'apportionment' of overheads

Question 10

This question was based on a range of Management Accounting terms from various topics.

Candidates experienced difficulty in the following areas:

- ◆ Explanation of AVCO
- ◆ Explanation of PV Ratio

Advice to centres for preparation of future candidates

General

As already stated, overall general performance in this year's assessment was slightly poorer than in previous years. Markers have highlighted the fact that a number of candidates scored very poorly in this examination, and asked whether candidates should have been presented for the Intermediate 2 examination instead of Higher.

Candidates are still losing marks unnecessarily by omitting relevant labels and headings from accounts — especially in Financial Accounting. This should be stressed in class teaching and in the preparation for assessments. For example, in the final accounts of a manufacturing Public Limited Company, Prime Cost, Factory Profit, Cost of Goods Manufactured, Gross Profit, Net Profit before Tax and Unappropriated Profit should be labelled — a candidate can lose a mark each time the label is omitted. Generally, candidates' layouts of the final accounts is good. Headings should also be correct — for example Income and Expenditure Account for year ending.

Candidates are still unnecessarily losing marks in Final Accounts by including extraneous items. A candidate can lose up to 6 marks in Financial Accounting questions by entering incorrect items in the wrong account. In Management Accounting, candidates also lose marks unnecessarily by not producing a statement when required. A correct statement should have a heading and a final label.

It should also be stressed to candidates that it is imperative that they should show all workings. Candidates lose marks unnecessarily by just placing the final figure in their answer rather than showing how it was arrived at. If they do this and the final answer is wrong, they will receive no marks, whereas if workings are shown they may gain some marks. This was highlighted in both the Income and Expenditure Account and Service Costing questions in this assessment, where workings were not shown for the final Subscriptions figure or the individual Service Costing items.

Candidates are still confused with Profit Margin and Mark-up and this should be stressed in classroom teaching.

Statistical information: update on Courses

Number of resulted entries in 2013	1072
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Number of resulted entries in 2014	1277
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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	33.5%	33.5%	428	140
B	19.8%	53.3%	253	117
C	16.4%	69.8%	210	95
D	6.6%	76.4%	84	84
No award	23.6%	-	302	-

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.