



External Assessment Report 2011

Subject	Accounting
Level	Advanced 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

The performance of candidates in this year's examination was an improvement on last year. Around 60% of candidates achieved a pass, but particularly encouraging was the high number of A passes — 25% of all candidates achieved that high level. It is possible that the fact that the optional questions all tested two separate parts of the syllabus, rather than one detailed question on a single topic, contributed to the improved performance of candidates.

It was encouraging to report that all the practical questions achieved an average mark greater than 50% of the marks available for the question. As ever, the theory questions were less well done but did show an improvement from previous years.

With the exception of Questions 2 and 3, there was an even spread in the number of candidates attempting the optional questions. Furthermore, the average marks of competing optional questions were very similar. This was even the case for Questions 2 and 3 although relatively few candidates answered Question 3. The pleasing consequence of this similarity in marks gained in competing options is that candidates were not penalised simply by their choice of optional question. This held true for both the practical and theory questions.

Question 1 (Ratios/Interpretation)

This question was well done with some high marks achieved by individual candidates and an average of around 30/50. Most candidates could calculate relevant ratios in the areas asked for.

However, common problems in calculating particular ratios were as follows:

- ◆ Using Net Profit after tax in the calculation of the Net Profit %
- ◆ Including interest in the expenses figure used in Expenses/Sales %
- ◆ Not using the net book value figure for fixed assets, ie after depreciation in the Turnover/Fixed Assets calculation
- ◆ Not using the information that levels of stocks, debtors and creditors were typical for the year and thus could be used as the relevant average figure

Candidates experienced more difficulty with the analysis of the figures. In addition to being able to suggest whether an improvement or a deterioration had occurred (and it was not enough just to quote the actual figures), some attempt had to be made to give a logical reason for the change by reference to other ratios or figures in the summarised accounts.

The section on calculating the investment ratios was well done, although calculating the market price per share, was less well done than the others.

The question on the significance of gearing was also well answered.

Question 2

Again this question was quite well done with average mark of 24/40 achieved.

Part A (Partnership Dissolution)

This was a relatively straightforward question which as indicated after its appearance in a previous paper will only be a part of a question in future. Those candidates with a good grasp of basic book-keeping gained high marks. The only common problem areas encountered were the payment of the loan, the payments to other partners in the Bank Account (the only really tricky part of the question) and occasional omission of some figures.

Part B (Cash Flow)

This was less well done than Part A. One of the main problems in terms of the technique of candidates in answering the question was the failure in many instances to show their working, despite a large space being left on the worksheet headed 'Working Notes'. This was particularly true for the figure of Net profit before interest and tax which started the answer. Even some of those candidates who showed full working for profits/losses on sales of assets did not show any working for this figure. Thus any wrong figure with no working received no marks. As this figure proved the most difficult for candidates to arrive at, this had a serious effect on the marks achieved. Lots of partial marks were awarded to the calculations of profits or losses on sale; workings for these figures were often shown. On the other hand, the changes in working capital figures were well answered.

Question 3

This question was marginally better done than Question 2, ie 25/40, but as indicated under General comments, was not answered by many candidates.

Part A (Consolidated Balance Sheet)

This part was well done with the only problem areas being cash in transit, debtors and creditors, and minority interest.

Part B (Issue, Forfeiture and Re-Issue of Shares)

The initial stages of this question were well done but the forfeiture and re-issue less well done, as might be expected.

Question 4 (ASB and Standards)

There were some very good answers to the first part about the procedure for creating a new standard. However, the knowledge of individual standards was poor, resulting in an average for the whole question of 13/30.

Question 5 (Notes to Accounts/Social Accounting)

The first part was answered better than the second. Few candidates had any idea about a Social Audit and wrote instead about a financial audit, presumably because that was the only one they knew about. Average mark was 12/30.

Question 6 (Flexible Budget)

This question produced a good start to Section B and candidates achieved an average mark of 31/50.

Most candidates showed that they could cope with the problems posed by semi-variable costs. However, there were several candidates who lost substantial marks because they based their flexible budget figures on percentages of the expected production figures given and not on the maximum production capacity.

In terms of producing the figures for the flexible budget, the poorest figures were the items of fixed costs which required no change at all of course.

In the Performance Report the main error seen was the classic mistake of not comparing like with like, ie candidates compared the actual figures for production of 90,000 units with the budgeted figures for 80,000 units.

Question 7

Part A was well answered and Part B less well. Average mark achieved was 25/40.

Part A (Investment Appraisal)

This was a fairly standard type question and did not pose too many difficulties for candidates. The main errors were ignoring or wrongly treating the additional costs, clean-up costs and sale of equipment. A few candidates were confused over how to calculate the IRR.

Part B (Decision Making)

The first part of this question where candidates had to deal with the effect of different options was well answered but the remaining more difficult parts of the question were poorly answered.

Question 8

This question was the poorest answered of the four practical questions with an average mark of 22/40.

Part A (Contract Account)

This question produced a lot of good answers, as you would expect from a topic which tends to produce a standard type of question. In the contract account itself the main difficulty was the calculation of the correct figure for overheads. After that the calculation of the amount paid by clients also proved difficult.

Part B (Process Costing)

Once again this question posed severe problems for candidates. Many showed little idea of how to calculate equivalent units and how to treat them subsequently. Even the production of the process account itself posed problems for many candidates.

Question 9 (ABC)

This question produced a number of very good answers but also even more poor answers, giving an average mark of 11/30. The description of ABC was reasonable but often produced little effective description of absorption costing. The arguments for and against ABC were not well discussed.

Question 10 (Cost Classification/Costing Methods)

Candidates picked up marks for describing different classifications but were very poor at comparing the bus service with the building contract. The average mark was also 11/30.

Areas in which candidates performed well

See comments above.

Areas which candidates found demanding

See comments above.

Advice to centres for preparation of future candidates

General

Centres are urged to remind candidates about the importance of showing their working, especially where a figure which they are entering has required a number of steps in the calculation of the figure.

Statistical information: update on Courses

Number of resulted entries in 2010	50
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Number of resulted entries in 2011	39
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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 240				
A	28.2%	28.2%	11	168
B	15.4%	43.6%	6	144
C	17.9%	61.5%	7	120
D	2.6%	64.1%	1	108
No award	35.9%	100.0%	14	-

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, therefore, SQA 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 Head of Service 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.