



External Assessment Report 2011

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

Most candidates coped well with this assessment which was straightforward in some areas but relatively demanding in others. There was a definite improvement from the performance in the 2010 examination. Candidate performance in Section A (Financial Accounting) and Section B (Management Accounting) was similar but performance in the Management area, in particular, showed improvement.

In Section A of the paper — the Financial section — Question 1 (the compulsory question) was based on the final accounts of a not-for-profit-making organisation. Candidates coped reasonably well with this question. Within the choice of practical questions, a large majority of candidates opted for Question 2, the combined Manufacturing/Partnership Account as opposed to Question 3, the less popular Ratio Analysis/Depreciation question.

The theory questions in this section were based on the theory of public limited companies (Question 4) and again public limited companies and partnership in Question 5. A higher percentage of candidates opted for Question 4 as opposed to Question 5. Candidates' performance in both questions was very similar.

In Section B of the paper — the Management section — Question 6 (the compulsory question) was based on the popular topics of Cash Budgets and Stock Control. This question was generally well done by most candidates. In the choice of practical questions, more candidates opted for Question 7 — based on Break-even analysis and Process Costing as opposed to Question 8 — the less popular Decision-making topic. Candidates performed slightly better in Question 7.

The theory questions in this section were based on the theory of Overhead Analysis (Question 9) and the use of spreadsheets and costing terms (Question 10). Both questions proved equally popular with candidates and performance in both was similar.

It was generally thought that candidate performance in this assessment was of a slightly higher standard than that achieved in the previous assessment of 2010. Again, most candidates managed to complete all six questions required in the time available.

Areas in which candidates performed well

Question 1

- ◆ Layout of final accounts generally well presented
- ◆ Subscriptions adjustments in Income and Expenditure Accounts
- ◆ Restaurant Trading Account well attempted
- ◆ Depreciation calculation
- ◆ Apportionment of Electricity expense

Question 2

- ◆ Layout of Manufacturing and Trading and Profit and Loss Accounts
- ◆ Adjustments/apportionment of expenses generally well done
- ◆ Depreciation calculation
- ◆ Provision for Bad Debts calculation

Question 3

- ◆ Gross Profit Ratio, Rate of Stock Turnover, ROCE calculations
- ◆ Fixed Instalment Depreciation in Part B

Question 5

- ◆ Explanation of Share Premium

Question 6

- ◆ Layout of Cash Budget
- ◆ Calculation of Credit Sales, Cash Sales, Variable Overheads
- ◆ AVCO Pricing System

Question 7

- ◆ Cost of Abnormal Loss generally well done
- ◆ Layout of Process Account generally well done

Question 8

- ◆ Calculation of Profit when profit maximising

Question 10

- ◆ Definition of semi-variable cost

Areas which candidates found demanding

Question 1

There was a varied response to this question, although layout of the final accounts was generally good and much improved.

Candidates experienced difficulty in the following areas:

- ◆ Adjustment of Purchases in the Restaurant Trading Account
- ◆ Capitalisation of Subscriptions
- ◆ Placing extraneous items in the Income and Expenditure Account, eg Bank Loan
- ◆ Failing to work out a profit or loss on fund-raising events
- ◆ Adjustments for expenses at the start of the period
- ◆ Calculation of Accumulated Fund (very poorly done)
- ◆ Bank (dr) treated as an Overdraft
- ◆ Order of items in the 'Financed by' section of the Balance Sheet
- ◆ Subscriptions accrual and prepayment in the Balance Sheet
- ◆ Correct calculation and placement of Loan in the Balance Sheet

A good percentage of candidates lost needless marks in this question through the omission of labels and correct headings. It should also be re-emphasised that candidates lost marks by entering extraneous items such as the Loan and Capital Expenditure in the Income and Expenditure Account

Question 2

This question was generally well done by most candidates who preferred it as an option to the less popular Question 3. Candidates experienced difficulty in the following areas:

- ◆ Calculation of Profit or Loss on Manufacturing
- ◆ Placing Profit and Loss items in the Manufacturing Account
- ◆ Correct treatment of Warehouse Expenses
- ◆ Incorrect placement of Market Value and Manufacturing Profit in Trading Account
- ◆ Omission of Manufacturing Profit from the Trading and Profit and Loss Account
- ◆ Treatment of Bank Overdraft and Interest in the Profit and Loss Account
- ◆ Many candidates combined the Interest and the Overdraft (extraneous)
- ◆ Placement of actual Drawings in the Appropriation Account
- ◆ Combining Manufacturing and Trading Account into one account

Again, as in Question 1, many candidates lost unnecessary marks through the omission of correct labels and incorrect headings. Many candidates also carried the Factory Cost of Production — rather than the Market Value — to the Trading Account

Question 3

Fewer candidates attempted this question and opted for the more traditional Manufacturing Account in Question 2.

Candidates who did attempt this question experienced difficulty in the following areas:

- ◆ Calculation of Mark-up Ratio
- ◆ Calculation of Debtors' Collection Period — credit sales not used
- ◆ Omission of % sign or 'times' from ratio
- ◆ Part (b) of question — Forecasting — was poorly attempted or omitted

In the Depreciation section of this question, a number of candidates did not calculate annual depreciation figures and were confused by dates given. The reducing balance section was poorly attempted — sometimes a total figure for the asset was worked out as opposed to annual. Some candidates also failed to state whether a profit or loss had been made on the sale of the asset.

Question 4

This question was slightly more popular with candidates than Question 5. Candidates experienced difficulty in the following areas:

- ◆ Failure to actually show a comparison between Ordinary and Preference Shares
- ◆ Lack of knowledge about Bonus Shares and Rights Issue of Shares
- ◆ Differentiating Capital and Revenue Expenditure

This question was generally not well done.

Question 5

Fewer candidates attempted this question, preferring Question 4. Performance in this question was slightly better than Question 4 but candidates experienced difficulty in the following areas:

- ◆ Using recruitment process rather than accounting process to admit partner
- ◆ Failure to realise revaluation of assets will be necessary in steps
- ◆ Confusing Articles of Association with Memorandum of Association

Question 6 — PART A

This compulsory question was generally well attempted by most candidates. Candidates experienced difficulty in the following areas:

- ◆ Placing Issue of Shares in Payments section rather than Receipts
- ◆ Failure to calculate Share Premium
- ◆ Placement of Loan in Payments section rather than Receipts
- ◆ Calculation of Loan Interest
- ◆ Calculation of Labour Bonus
- ◆ Including Depreciation in Fixed Overheads

Question 6 — PART B

Again this question was generally well done but a percentage of candidates failed to follow the instruction — which was in bold — to prepare a Stock Record Card showing Quantity, Price, and the value of units received, issued and in stock — and therefore lost needless marks.

Some candidates in this question did not recognise chronological order for the last two items.

Question 7— PART A

This question was a more popular choice — as opposed to Question 8 — with the majority of candidates. It was generally well attempted. Candidates experienced difficulty in the following areas:

- ◆ Calculation of Profit before tax figure
- ◆ Calculation of Profit/Volume Ratio
- ◆ Calculation Of Margin of Safety — multiplying units by contribution rather than selling price

Question 7 — PART B

Again this part of the question was generally well attempted. Candidates experienced difficulty in the following areas:

- ◆ Dealing with Fixed Overhead Absorption Rate
- ◆ Placing Work-in-Progress as an input rather than output
- ◆ Correct Layout of the Abnormal Loss Account
- ◆ Confusion between margin and mark-up when calculating selling price

Question 8

Fewer candidates opted for this question and preferred to answer Question 7 instead. Some candidates coped extremely well with this question which was based on the less-popular topic of Decision-Making. Candidates experienced difficulty in the following areas:

- ◆ Omission of variable overheads from calculation in part (a)
- ◆ Failure to calculate contribution per machine hour in part (b)
- ◆ Order of priority in part (b) only based on contribution per unit
- ◆ Failure to use contribution per machine hour in part (c)

Question 9

Candidates experienced difficulty in the following areas:

- ◆ Explanation of 'allocation' and 'apportionment' of overheads was poor
- ◆ Using 'apportionment' methods rather than 'absorption' methods in (b)

Question 10

Candidates experienced difficulty in the following areas:

- ◆ In part (a), giving general answers rather than specific management accounting ones
- ◆ Many candidates in part (a) gave general administration answers to the advantages of using spreadsheets rather than those which are specific to the management accounting process — this section was poorly attempted
- ◆ In part (b), explanation of Opportunity Cost

Advice to centres for preparation of future candidates

General

It is evident from the 2011 examination that some candidates are still losing unnecessary marks by omitting relevant labels and headings from accounts or entering incorrect headings, eg Trading Account as at... It is imperative that in class teaching and in the preparation for assessment that this is stressed to prospective candidates — especially in financial accounting.

Candidates are also losing unnecessary marks by including extraneous items in relevant accounts. A candidate can lose up to 6 marks in an account by entering incorrect items, eg Bank in the Trading and Profit and Loss Account.

It should also be stressed that when candidates are asked to present an account it must be in that form and not that of a list — again marks can be lost here. Also, if a statement is required, then a relevant heading must be given to this statement. It should also be stressed to candidates that all workings — especially in Management Accounting — should be shown. Candidates lose unnecessary marks by just placing a final figure in their answer rather than showing workings as well — especially where calculations are being made.

Although performance in this year's assessment showed improvement, Markers again have highlighted the number of candidates who scored very poorly in this examination and questioned whether some candidates should have been presented for the Intermediate 2 examination rather than Higher level.

Statistical information: update on Courses

Number of resulted entries in 2010	1,219
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Number of resulted entries in 2011	1,204
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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	38.7%	38.7%	466	140
B	18.8%	57.5%	226	120
C	16.1%	73.6%	194	100
D	6.3%	79.9%	76	90
No award	20.1%	100.0%	242	-

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.