



## External Assessment Report 2012

|            |                   |
|------------|-------------------|
| Subject(s) | <b>Accounting</b> |
| Level(s)   | <b>Higher</b>     |

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 seemed to cope reasonably well with this assessment which appeared demanding in some areas but straightforward in others. Candidate performance in Section A of the paper, the Financial section, was reasonably good but there was a definite improvement in candidate performance in Section B of the paper — the Management Section.

In Section A of the 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, slightly more candidates opted for Question 2 which was based on the accounts of a not-for-profit-making organisation rather than Question 3 which was based on the accounts of a Partnership and Depreciation.

The theory questions in this section were based on the knowledge of terms used in a Manufacturing Account (Question 4) and the topic of Ratio Analysis (Question 5). A higher percentage of candidates opted for Question 4 where candidates appeared to perform slightly better.

In Section B of the paper, the Management section, Question 6 (the compulsory Management question) was based on three different areas of the syllabus — Production Budget, Process Costing and Service Costing. Candidate performance in this question was generally good. In the choice of practical questions, more candidates opted for Question 8 — which was based on Break-Even Analysis and Overhead Analysis — rather than Question 7 which was based on the less popular topic of Decision-Making.

The theory questions in this section were based on the theory of Pricing Stock and Methods of calculating Wage rates (Question 9) and the theory of Cash Budgets and use of Spreadsheets (Question 10). Both questions proved equally popular with candidates and performance in both was similar.

It was generally thought that candidate performance was very similar to the standard achieved in the previous assessment of 2011. Markers commented on the marked improvement of candidates in the Management section of the assessment. Again, most candidates managed to complete all six questions required 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
- ◆ Balance Sheet — Financed by section — order of items
- ◆ Calculation of correct Advertising figure

### **Question 2**

- ◆ Layout of Trading Account and Income and Expenditure Account was generally good
- ◆ Adjustments for expenses was generally well done

### **Question 3**

- ◆ Appropriation Account and Current Account generally well attempted
- ◆ Layout of both accounts was generally good
- ◆ Calculation of Interest on Capital, Interest on Drawings and Share of Profit
- ◆ Application of Revaluation of Profit
- ◆ Calculation of new Profit-Sharing Ratio

### **Question 4**

- ◆ Explanation of Manufacturing Profit, Work-in-Progress, Factory Overheads

### **Question 5**

- ◆ Explanation of Current Ratio

### **Question 6**

- ◆ Layout of Production Budget
- ◆ Layout of Process Account
- ◆ Operating Cost Statement was generally well done

### **Question 8**

- ◆ Calculation of Selling Price, Variable Cost and Contribution per unit
- ◆ Calculation of PV Ratio and Margin of Safety
- ◆ Layout of Overhead Analysis Statement was generally good
- ◆ Reapportionment of Maintenance Department Overheads

### **Question 9**

- ◆ Naming methods of pricing stores issues

### **Question 10**

- ◆ Description of Cash Budget

## Areas which candidates found demanding

### Question 1

There was a varied response to this question and the layout and presentation of the final accounts was generally good — although candidates are still losing unnecessary marks for omission of labels and headings.

Candidates experienced difficulty in the following areas:

- ◆ Placement of Dividends on Investments in Final Accounts
- ◆ Calculation of Final Dividends in both Ordinary and Preference Shares
- ◆ Calculation of Debenture Interest
- ◆ Writing off of Goodwill and its placement in accounts
- ◆ Calculation of Bonus Shares
- ◆ Closing Stock figure — using market value
- ◆ VAT treated as a Current Liability
- ◆ Bank figure treated as a Current Asset rather than a Current Liability
- ◆ Writing off of Preliminary Expenses
- ◆ Calculation of Revaluation Reserve and its placement in the Balance Sheet
- ◆ Calculation of correct final Share Premium figure

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

This question was generally well done by most candidates who preferred this as an option to Question 3. Some candidates, though, did experience difficulty in the following areas:

- ◆ Correct calculation of Accumulated Fund
- ◆ Adjustment of Purchases in Restaurant Trading Account
- ◆ Failure to work out a profit or loss on fund-raising events
- ◆ Calculation of final Subscriptions figure
- ◆ Calculation of Loss on Sales of Sound Equipment
- ◆ Calculation of correct Depreciation figure on Sound Equipment
- ◆ Calculation of Amended Surplus figure
- ◆ Calculation of correct Closing Bank balance

Again, as in Question 1, some candidates lost unnecessary marks through the omission of correct labels and headings.

### Question 3

Fewer candidates attempted this question as opposed to Question 2. Parts (a) and (b) were generally well done but some candidates struggled with Part (c) failing to work out the correct Depreciation figures based on the financial year rather using the purchase dates to

calculate Annual Depreciation. Some candidates experienced difficulty in the following areas:

- ◆ Inclusion of Interest on Loan in the Appropriation Account
- ◆ Inclusion of Drawings figures in the Appropriation Account
- ◆ Wrong calculation of new partner's Opening balance
- ◆ Failure to write down Goodwill on new profit sharing ratio
- ◆ Wrong calculation of Depreciation figures — wrong method used
- ◆ Reducing Balance method of Depreciation poorly attempted
- ◆ Calculation of Profit or Loss on Delivery Van

#### **Question 4**

This question was more popular with candidates than Question 5 and was generally well done. Candidates experienced difficulty in the following area:

- ◆ Correct explanation of Royalties

#### **Question 5**

Fewer candidates attempted this question preferring Question 4 instead. Performance in this question was not as good as Question 4. Candidates struggled with the explanation of the limitations of Ratio Analysis and a good few answers seemed to be based on Business Management awareness. Candidates experienced difficulty in the following areas:

- ◆ Stating the limitations of Ratio Analysis
- ◆ Explanation of Mark-up ratio

#### **Question 6 — Part A**

This compulsory question was generally well attempted by most candidates. The main difficulties encountered were:

- ◆ Calculation of June Opening Stock
- ◆ Wrong effective use of Opening and Closing Stock figures

#### **Question 6 — Part B**

Again this question was generally well done. Candidates experienced difficulty in the following areas:

- ◆ Correct Use of Opening and Closing Work-in-Progress figures
- ◆ Calculation of Fixed Overhead Absorption rate
- ◆ Completion of Abnormal Loss Account

#### **Question 6 — Part C**

This question was again well done by most candidates. Candidates experienced difficulty in the following areas:

- ◆ Some candidates did an annual statement rather than statement for four weeks

- ◆ Some candidates did not produce a statement as required and were penalised
- ◆ Calculation of average cost per meal
- ◆ Calculation of margin — candidates used mark-up instead

### **Question 7**

Fewer candidates opted for this question and preferred Question 8 instead. Some candidates coped well with this question which was based on the less popular topic of Decision-Making. Candidates experienced difficulty in the following areas:

- ◆ Calculation of profit or loss per unit
- ◆ Calculation and application of Fixed Overhead Absorption Rate
- ◆ Calculation and application of Contribution per Labour Hour
- ◆ Calculation of estimated profit for Year 9
- ◆ Decision-making on special order

### **Question 8 — Part A**

This question was a more popular choice than Question 7. It was based on the topic of Break-Even Analysis and was generally well attempted. Candidates experienced difficulty in the following area:

- ◆ Calculation of Profit before Tax

### **Question 8 — Part B**

Again, this part of the question was generally well attempted and was based on Overhead Analysis. Some candidates experienced difficulty in the following areas:

- ◆ Calculation and application of Overhead Recovery Rates
- ◆ Calculation of Overheads over-absorbed and under-absorbed

### **Question 9**

This question was an equally popular choice with Question 10. It was based on the topics of Wages calculation and Stock Control. Candidates experienced difficulty in the following areas:

- ◆ Stating advantage and disadvantage of chosen method of Stores Issues
- ◆ Naming correct system of calculating Wages
- ◆ Stating advantage and disadvantage of chosen method of Wages calculation

### **Question 10**

This question was based on the topics of Cash Budgets and Spreadsheets. Candidates experienced difficulty in the following areas:

- ◆ Reasons for preparing a Cash Budget
- ◆ Correct advantages of using Spreadsheets for Cash Budget

In Part (b) many candidates gave general administration answers to the advantages of using spreadsheets rather than being specific to the use of spreadsheets for the preparation of Cash Budgets.

## **Advice to centres for preparation of future candidates**

### **General**

Although general performance in this year's assessment was 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 level.

It is also evident, as previously stated, that some candidates are still losing unnecessary marks 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 that this is stressed to prospective candidates. This should be emphasised especially in Financial Accounting. A number of candidates lost marks in this year's examination by not producing a statement as required in the Service Costing question in the Management section of the paper. A correct statement should have a heading and final label. Again, this requirement should be emphasised to candidates.

Candidates are still losing unnecessary marks by including extraneous items in relevant accounts. A candidate can possibly lose up to six marks by entering incorrect items in the wrong account, eg placing Preliminary Expenses in the Profit and Loss Account.

It should also be made clear to candidates that all workings should be shown. Candidates lose unnecessary marks by just placing a final figure in their answer rather than showing workings also. Their final answer may be wrong and they will receive no marks, whereas if workings are shown they may gain some marks.

## Statistical information: update on Courses

|                                    |       |
|------------------------------------|-------|
| Number of resulted entries in 2011 | 1,204 |
|------------------------------------|-------|

|                                    |       |
|------------------------------------|-------|
| Number of resulted entries in 2012 | 1,155 |
|------------------------------------|-------|

## 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                             | 37.7% | 37.7%  | 435                  | 140         |
| B                             | 21.5% | 59.1%  | 248                  | 120         |
| C                             | 19.0% | 78.1%  | 219                  | 100         |
| D                             | 6.4%  | 84.5%  | 74                   | 90          |
| No award                      | 15.5% | 100.0% | 179                  | -           |

## **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.