



## External Assessment Report 2010

Subject	<b>Accounting and Finance</b>
Level	<b>Standard Grade</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

The number of presentations fell once again to 1,633 (1,935 in 2009), a further drop of 5% (after a 6% drop last year).

The majority of candidates were presented at the appropriate levels. Once again the Knowledge and Understanding element at all three levels continues to improve. The Handling Information element at General level was again less accessible to the Foundation/General group, as many left whole questions blank.

It seems that large numbers of the candidates in the Foundation/General group are purely Foundation candidates. The Handling Information content of the Credit paper was seen as testing but appropriate for Credit candidates.

Overall, candidates performed much in line with the estimates provided by their teachers. However, there are still a number of areas, which have been highlighted in previous years, which they still need to address.

## Areas in which candidates performed well

### Knowledge and Understanding

- ◆ sources of finance and documents at all three levels
- ◆ features of business organisations at all three levels
- ◆ use of provision for bad debts and suspense accounts at Credit level
- ◆ naming and importance of ratios at General and Credit levels
- ◆ cash budgets and their importance at Foundation and Credit levels
- ◆ identifying fixed and current assets and current liabilities at Foundation level

### Handling Information

- ◆ document and ledger accounts at all three levels
- ◆ breakeven at General level
- ◆ bank reconciliation, trading ratios and cash budget at Foundation level

## Areas which candidates found demanding

### Foundation

#### Knowledge and Understanding

##### Question 1 (c)

Large numbers of candidates are unable to distinguish between trade and cash discounts.

### **Question 2 (e)**

Large numbers of candidates do not know the difference between capital and revenue expenditure. This was not only in the Foundation/General group but also in the General/Credit group.

## **Handling Information**

### **Question 4 (a)**

- ◆ Many candidates entered the monthly salary rather than the annual amount.
- ◆ Many candidates seemed to have difficulty with which figure to use for calculating the share of profits.

## **General**

### **Knowledge and Understanding**

#### **Question 1 (c)**

The majority of candidates could name the other type of discount but could not explain it properly. Many gave an explanation of trade discount.

#### **Question 1 (d)**

Candidates are used to being given the document and asked to explain its use. Many found this question difficult when it was turned the other way round.

#### **Question 2 (b)**

The majority of candidates gave 'limited liability' as an explanation but did not go on to explain in more detail what that meant.

#### **Question 3 (d)**

The majority of candidates at all three levels were unable to explain the term 'accumulated fund'.

#### **Question 5 (c)**

It was not that this question was demanding: it was the fact that candidates did not read the question properly and answered it in a similar way to similar questions set in previous years.

The question asked the 'effect the **correction of the error** would have on the totals of the trial balance'. The majority of candidates answered it as if the question asked 'the effect the **error** would have on the totals of the trial balance'. Candidates then went on to give types of errors as reasons for their answer, and therefore lost all of the marks for this question.

#### **Question 6 (e)(ii)**

Candidates still do not explain that it is the 'owner' that takes drawings for his/her own use.

## **Handling Information**

### **Question 1 (a)**

A large number of candidates lost the mark for VAT as they calculated it and entered it as £39.38. There are two points here:

- ◆ They were given the amount in the question and must use that amount.
- ◆ When calculating VAT, you must round down as the government cannot take more from the business than it is entitled to.

### **Question 2 (a)**

Many candidates do not understand the term 'payment on account' and went on to enter the closing balance as discount or a bad debt.

### **Question 3 (a)(i)**

Many candidates either left this question blank or did not do at all well in their answers. They were possibly put off by the heading and did not see that they were being asked to prepare a 'trading and profit and loss account'.

### **Question 5 (a)**

Both markers and the examination team were disappointed by the responses of candidates to preparation of a straightforward trial balance.

### **Question 6 (a)(i)**

Many candidates made the mistake of using the 'working capital' figure instead of the 'current liabilities' figure.

## **Credit**

### **Knowledge and Understanding**

#### **Question 2 (d)**

The majority of candidates were able to 'name the account' but their explanation of how it would operate was not detailed enough for them to gain full marks.

#### **Question 2 (e)**

Many candidates do not use the term 'fixed asset' when they give an explanation of depreciation. Often they use the words 'asset' or 'thing'.

#### **Question 3 (c)**

Great numbers of candidates often get the differences between ordinary and preference shares, but they explain them the wrong way round.

### **Question 6 (b)**

Candidates found it difficult to explain the reason for the rate of stock turnover being different from the 'average firm'.

## **Handling Information**

### **Question 1 (a)**

Many candidates are still showing 'cash discount' in the invoice.

### **Question 2 (a)**

The list of balances at the start of the question did not cause too many problems with candidates. Candidates who took it literally to mean that 'sales, purchases and bank' were debit balances and the 'machinery' a credit balance only lost marks for the 'sales and machinery' balances. If they followed this through they were awarded marks for the other transactions being consequential to the two wrong opening balances.

### **Question 3 (a)**

- ◆ Many candidates did not read the information on sales and assumed that the estimates were the 'credit sales', and that 'cash sales' were over and above this.
- ◆ The dividends also caused some problems, with many candidates having difficulty calculating the preference dividend.

### **Question 4 (a)**

Large numbers of candidates are still putting amounts into both the 'bank account' and the 'reconciliation statement'.

### **Question 5 (a)**

- ◆ Large numbers of candidates still do not know how to make up an appropriation account, with capital and current account balances and drawings being entered.
- ◆ Many candidates did not know how to share the profits and losses in 'proportion to capital'.
- ◆ Many candidates knew how to calculate 'interest on capital' and enter it in the 'current accounts' but did not know that it also goes into the 'appropriation account'.

### **Question 6 (a)**

Calculation of rate of stock turnover was very mixed as candidates were very poor at calculating the cost of goods sold. Considering it could have been done in two ways (opening stock + purchases - closing stock, or sales - gross profit), a better response was expected from the candidates.

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

In addition to comments regarding areas where candidates had difficulty, I would recommend once again that centres need to address the following:

### **Knowledge and Understanding**

Candidates need to develop better skills in explaining the terminology used in accounting and finance. Markers are finding that candidate answers do not warrant full marks due to a lack of proper/full explanations.

### **Handling Information**

- ◆ statements of profit/loss in not-for-profit accounts
- ◆ preparation of partnership appropriation account
- ◆ calculation of partners' share of profits

### **General**

Candidates should read questions fully to ensure that they are answering what is being asked, and not what they think is being asked.

## Statistical information: update on Courses

<b>Number of resulted entries in 2009</b>	1932
<b>Number of resulted entries in 2010</b>	1630

## Statistical information: performance of candidates

### Distribution of overall awards

Grade 1	22.5%
Grade 2	22.5%
Grade 3	16.6%
Grade 4	18.5%
Grade 5	12.9%
Grade 6	5.1%
Grade 7	0.5%
No award	1.5%

### Grade boundaries for each assessable element in the subject included in the report

Assessable Element	Credit Max Mark	Grade Boundaries		General Max Mark	Grade Boundaries		Foundation Max Mark	Grade Boundaries	
		1	2		3	4		5	6
KU	80	60	45	80	53	39	80	50	38
HI	80	61	42	80	56	40	80	56	40