

## Principal Assessor Report 2004

**Assessment Panel:**

**Business Education**

**Qualification area**

**Subject(s) and Level(s)  
Included in this report**

**Accounting and Finance — Advanced Higher**

### **Statistical information: update**

|                                  |     |
|----------------------------------|-----|
| <b>Number of entries in 2003</b> | 135 |
|----------------------------------|-----|

|                                  |     |
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| <b>Number of entries in 2004</b> | 170 |
|----------------------------------|-----|

### **General comments re entry numbers**

Pleasing to see a significant increase in the number presentations compared with 2003.

## Statistical Information: Performance of candidates

### Distribution of awards

| Grade    | %    |
|----------|------|
| A        | 25.3 |
| B        | 24.1 |
| C        | 15.3 |
| D        | 11.2 |
| No Award | 24.1 |

### Comments on any significant changes in percentages or distribution of awards

Taking account of increased numbers, distribution broadly similar to last year but with slightly more B grades, and, overall, fewer candidates achieving grade C or above.

## Grade boundaries for each subject area included in the report

| Distribution of awards | %    | Cum % | Number of candidates | Lowest mark |
|------------------------|------|-------|----------------------|-------------|
| A                      | 25.3 | 25.3  | 43                   | 83          |
| B                      | 24.1 | 49.4  | 41                   | 70          |
| C                      | 15.3 | 64.7  | 26                   | 58          |
| D                      | 11.2 | 75.9  | 19                   | 52          |
| No award               | 24.1 | 100.0 | 41                   |             |

## General commentary on passmarks and grade boundaries

- While SQA aims to set examinations and create mark schemes which will allow a competent candidate to score a minimum 50% of the available marks (notional passmark) and a very well-prepared, very competent candidate to score at least 70%, it is almost impossible to get the standard absolutely on target every year, in every subject and level
- Each year we therefore hold a passmark meeting for each subject at each level where we bring together all the information available (statistical and judgmental). 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 senior management team at SQA
- We adjust the passmark downwards if there is evidence that we have set a slightly more demanding exam than usual, allowing the pass rate to be unaffected by this circumstance
- We adjust the passmark upwards if there is evidence that we have set a slightly less demanding exam than usual, allowing the pass rate to be unaffected by this circumstance
- Where the standard appears to be very similar to previous years, we maintain similar grade boundaries
- 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 are different. This is also the case for exams set in centres. And just because SQA has altered a boundary in a particular year in say Higher Chemistry 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
- Our main aim is to be fair to candidates across all subjects and all levels and maintain standards across the years, even as arrangements evolve and change.

## Comments on grade boundaries for each subject area

Grade boundary levels lower this year, due to the Question paper being slightly more demanding than last year.

## Comments on candidate performance

### General comments

In addition to the compulsory questions 1 and question 6 candidates chose to answer questions 3, 4, 6, and 9. It was pleasing to see an increase in the number of candidates attempting the Cash Flow Statement.

Once again many candidates failed to show adequate workings for each question and this resulted in them losing the **full award** for the wrong figures entered into the accounting statements. For example, a candidate whose figure for the surplus on the golf section was wrong and who did not show any working could lose the full 6½ marks for this figure.

Teachers/lecturers need to emphasise the need for full working notes to be shown for each calculation.

The standard of handwriting of candidates did cause problems for Markers, especially when marking the essay questions.

Some of the essay questions were well done but there was a drop in the standard of essay question answers compared to last year.

The standard of English in essay questions was, in many cases, poor. Many essay answers were unstructured.

### Areas of external assessment in which candidates performed well

#### Computational Questions

##### Section A Question 1 — Final Accounts for a Club

On the whole this question was well done by the majority of candidates.

##### Bar Trading Account

Well done by the majority of candidates, however some candidates did not adjust the purchases figure to take account of the opening and closing stocks.

##### Income and Expenditure Account

At Advanced Higher level it is expected that candidates will calculate the profit or loss on a club activity, eg gaming machines, for inclusion in the annual Income and Expenditure Account. As many candidates are not doing this teachers/lecturers need to stress this in preparing candidates for their final examination.

Many candidates failed to show the surplus or deficit for the Golf and Squash sections of the Club in the Income and expenditure account despite being asked for this in part (b) of the question. Those that did used a variety of layouts, some of which worked very well, others were difficult for the Markers to follow.

Where candidates are asked to carry out calculations where the same income or expenditure occurs for the two sections they are advised to use a side by side approach, minimising the amount of writing they have to do in the examination.

The loan interest caused problems for candidates, many not realising that the loan interest due was for seven months and not six.

## **Balance Sheet**

Generally well done, however many candidates lost the 2 marks awarded for the opening accumulated fund because they did not show their working notes.

## **Question 2 — Cash Flow Statement**

Candidates who attempted this question were very well prepared for this topic.

### Statement of Net Cash Flow from Operating Activities

Candidates coped well with the calculation of Profit and Loss on sale of assets and working capital movements. The main areas of difficulty were the depreciation calculation, with few candidates calculating this figure correctly.

### Cash Flow Statement

Layout of this statement was good. Candidates found it difficult to calculate the Preference and Ordinary dividends with the most common problem being that they added the paid and proposed for 2003 together.

### Statement showing Change in Net Debt

Generally well done.

### Theory

The theory answers to this question were not well done with many candidates giving the advantages of preparing a Cash budget rather than preparing a Cash Flow Statement.

## **Question 3 — Capital Gearing and Investment Ratios**

The majority of the candidates attempted this question. The main problems encountered by candidates were:

- ◆ Gearing ratio reversed
- ◆ Unfamiliarity with the correct order for items in the appropriation account of a plc
- ◆ Debenture interest not deducted from operating profit in order to find the profit before tax
- ◆ Candidates confused the figure relating to the Profit available for distribution to the ordinary shareholders and the actual dividend distributed to ordinary shareholders
- ◆ Failure to calculate the total dividend paid to enable the calculation of dividend cover
- ◆ Incorrect formulae for the investment ratios

## **Question 6 — Variance Analysis**

The main problems encountered by candidates arose from their failure to calculate the standard material and labour required for the actual output and use this to calculate the variances from actual output.

On the whole the Material and Labour Variances were well done. The Variable and Fixed Overhead Variances caused huge problems for candidates with some making no attempt at this part of the question. The term Budgeted Fixed Overhead was rarely used.

The reconciliation statement was not well done, those attempting it merely listing the variances, not comparing the Standard cost of actual production and the actual cost of Production.

### **Question 7 — Investment Appraisal**

The majority of candidates attempted this question and it was generally well done.

The main areas of difficulty were:

- ◆ Payback period — candidates knew it was during year 3 but many were unable to calculate the number of days over the 3 year period required.
- ◆ Net Present Value — many candidates forgot to include the income from the sale of the asset in year 5.

### **Question 8 — Production and Labour Budgets**

This was not a popular question for candidates despite the relatively straightforward nature of the question. The main area of difficulty was:

- ◆ The calculation of the rejected units in the production budget.

### **Essay Questions**

#### **Question 4 – Dissolution of partnership**

This was a popular choice by candidates and was generally well done.

#### **Question 5 — Use of Accounting Ratios**

The standard of answer for this question was generally poor. Candidates tended to give the formula for the ratio and little else. They did not explain why a firm will use ratios, the areas of analysis — profitability, liquidity, efficiency, investments, their significance, link between the ratios and what these ratios could tell about the performance of the business.

#### **Question 9 — Budgetary control**

This question was not well done by candidates.

- ◆ Part (a) the benefits was where candidates gained most of their marks. However some candidates tended to explain what the different types of budget were used for rather than explain the benefits.
- ◆ Few seemed to be aware of the Principal Budget Factor and the work of the Budget Committee.

#### **Question 10 — Process Costing**

Although there were some good answers to this question generally answers were poor. Candidates knew how to prepare a process account and tried to explain this, however, very few candidates attempted to explain the problems relating to calculating the actual output used to calculate the cost per unit — eg is there an inherent loss in the process, are losses normal or abnormal, how does this affect the cost per unit? What effect will work in progress have on unit cost taking into account equivalent units. What pricing system are they using for stock valuation — FIFO or weighted average method. How will the production of joint products or by-products affect the unit cost.

## **Areas of external assessment in which candidates had difficulty**

In addition to the detailed problems given for each question the following were areas in which candidates experienced problems:

- ◆ The majority of the essay questions again presented problems for candidates.
- ◆ Variance Analysis — particularly calculation of standard cost of actual output and its application to variance analysis
- ◆ Budgeting

## **Recommendations**

### **Feedback to centres**

In general candidates should be encouraged to read the questions carefully and to check their work.