



## External Assessment Report 2015

Subject(s)	Accounting
Level(s)	Higher

The statistics used in this report are prior to the outcome of any Post Results Services requests

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

There was a varied response from candidates with this assessment which was relatively straightforward.. It was generally thought by markers that the candidate performance was of a similar standard that had been achieved in previous assessments.

In Section A of the question paper, the Financial Section, Question 1 – the compulsory question – was based on the final accounts of a Partnership. There was a mixed response from candidates with a number of candidates not updating Current Accounts. Within the choice of practical questions, more candidates opted for Question 3 in preference to Question 2. Question 2 was based on the final accounts of a Not-for-Profit organisation with an added part on Depreciation. Question 3 was based on the popular topic of Manufacturing Accounts plus an added question on Ratio Analysis.

The theory questions in the Financial Section of the paper were based on Ratio Analysis and Public Limited Companies – as well as the duties of a Financial Accountant. Question 5 – comparing a Public Limited Company to a Private Limited Company and covering the duties of a Financial Accountant was more popular than Question 4 – outlining the limitations of Ratio Analysis and stating Public Limited Company stakeholders. Markers felt that there was a slight improvement this year in theory answers.

In Section B of the question paper, the Management (Costing) Section, Question 6 – the compulsory question was based on the less popular topic of Decision Making with an added part on the more popular topic of Overhead Analysis. Within the choice of practical questions, more candidates opted for Question 7 in preference to Question 8. Question 7 was based on the popular topic of Cash Budgets and was generally well attempted. Question 8 was based on 3 topics – Process Costing, Stock Control and Job Costing – performance in this question was generally good.

The theory questions in this section were based on Break Even Analysis and Spreadsheets (Question 9) and Management accounting terms (Question 10). Both questions proved equally popular with candidates with performance in Question 10 slightly better than Question 9.

As previously stated, it was generally thought by markers that candidate performance was of a similar standard to that which has been achieved in previous assessments.

## **Areas in which candidates performed well**

### **Question 1**

- Layout of Final Accounts was generally well presented
- The Appropriation section of the Income Statement (Trading and Profit and Loss Account)

### **Question 2**

- Layout of Accounts was generally good
- Calculation of Raffle and Competition Profits

### **Question 3**

- Layout of Accounts again well presented
- Calculation of Debenture Interest
- Calculation of Purchases and Expenses in Ratio Analysis section
- Calculation of Trade Receivables (Debtors) Collection Period

### **Question 4**

- Stakeholders with an interest in a Public Limited Company

### **Question 5**

- Duties of a Financial Accountant

### **Question 6**

- Calculation of Contribution
- Calculation of Final Profit
- Apportioning expenses in the Overhead Analysis Statement

### **Question 7**

- Layout of the Production Budget and Cash Budget
- Calculation of Fixed Costs

### **Question 8**

- Process Account was generally well presented
- Calculation of Inventory (Stock) using AVCO

## **Question 10**

- Explanation of Piece Rate
- Explanation of Limiting Factor
- Stating factors for re-order quantities

## **Areas which candidates found demanding**

### **Question 1**

There was a varied response to this question. The layout and presentation of the final accounts were generally good but candidates are still losing unnecessary marks for the omission of labels and incorrect headings. Some candidates are still losing marks for extraneous entries ie putting entries in the wrong account . A number of candidates lost marks through not updating the Current Accounts before completing the Statement of Financial Position (Balance Sheet)

Candidates experienced difficulty in the following areas:

- Loan Interest omitted or calculated wrongly
- Warehouse Rent frequently omitted
- No Current Accounts updated or shown in the Statement of Financial Position (Balance Sheet)
- Cash and Cash Equivalents (Bank) not shown as a Current Liability
- Wrong Closing Inventory (Stock) figure used

### **Question 2**

Candidates experienced difficulty in the following areas:

- Calculation of Accumulated Fund
- Calculation of Subscriptions
- Calculation of Depreciation
- In Part B, correct calculation of Profit or Loss on Sale of Equipment

As in Question 1, candidates lost unnecessary marks in this question through the omission of labels, incorrect headings and placement of extraneous items

### **Question 3**

A lot more candidates opted for this question in preference to Question 2 and it was generally well attempted,

Candidates experienced difficulty in the following areas:

- Deducting Factory Overheads from Prime Cost
- Treatment of Manufacturing Profit
- Placement of Warehouse Expenses
- Placement of Manufacturing Profit in the Income Statement (Trading and Profit and Loss Account)

- Calculation of Interim Dividend
- Calculation of Loan Interest
- Calculation of Mark-up Ratio

As in Question 1, candidates lost unnecessary marks in this question through the omission of labels, incorrect headings and placement of extraneous items

#### **Question 4**

This question was less popular with candidates than Question 5.

Candidates experienced difficulty in the following areas:

- Knowing the limitations of Ratio Analysis

#### **Question 5**

. Candidates experienced difficulty in the following areas:

- The comparison of a Public Limited Company to a Private Limited Company

#### **Question 6**

There was a good response from candidates for this compulsory question based on the usually less popular topic of Decision Making with an added part on Overhead Analysis.

Candidates experienced difficulty in the following area:

- Omission of Indirect Labour in the Overhead Analysis Statement

#### **Question 7**

Candidates experienced difficulty in the following areas:

- Calculation of Closing Stock in the Production Budget
- Omission of correct heading for Cash Budget
- Treatment of Credit Sales and Bad Debts
- Calculation of Variable Overhead
- Placement of Ordinary Share Dividend

#### **Question 8**

This question was a less popular choice than Question 7 but was generally well attempted.

Candidates experienced difficulty with the following areas:

- Abnormal Loss Account
- Calculation of Overheads

- Calculation of Mark-up

### **Question 9**

This question was generally well attempted and was equally popular with Question 10.

Candidates experienced difficulty in the following areas:

- Explanation of the assumptions of Break Even analysis
- Using admin type answers for explanation of Spreadsheets

### **Question 10**

This question was based on a range of Management Accounting terms from various topics and was generally well attempted.

Candidates experienced difficulty in the following area:

- Explanation of Margin of Safety

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

### **General**

As already stated, overall general performance in this year's assessment was of a similar standard to that of previous years. Markers have highlighted the fact that a number of candidates scored very poorly in this examination and question whether candidates should have been presented for the Intermediate 2 examination instead of Higher.

Candidates are still losing unnecessary marks by omitting relevant labels and headings from accounts – especially in Financial Accounting. It should be stressed in class teaching and in the preparation for assessments. For example in the final accounts of a Manufacturing Public Limited Company, Prime Cost, Factory Profit, Cost of Goods Manufactured, Gross Profit, Profit for Year before Tax (Net Profit before Tax) and Unappropriated Profit should be labelled – a candidate can lose a mark each time the label is omitted. Generally candidates' layouts of the final accounts is good. Headings should also be correct – for example Income and Expenditure Account for year ending.

Candidates are still losing unnecessary marks in Final Accounts by including extraneous items. A candidate can lose up to a maximum of 6 marks in Financial Accounting questions by entering incorrect items in the wrong account. In Management Accounting candidates also lose unnecessary marks by not producing a statement when required. A correct statement should have a heading and a final label - a number of candidates lost unnecessary marks in the Job costing section in Question 8.

It should be stressed to candidates that it is imperative that they should show all workings. Candidates lose unnecessary marks by just placing the final figure in their answer rather than showing how it was arrived at – this was highlighted by the Subscriptions figure in Question 2. The final answer may be wrong and they will receive no marks, whereas if working are shown they may gain some marks. .

Candidates are still confused with Profit Margin and Mark-up as was highlighted in Question 8 and this should be stressed in classroom teaching.

## Statistical information: update on Courses

Number of resulted entries in 2014	1277
------------------------------------	------

Number of resulted entries in 2015	554
------------------------------------	-----

## 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	33.4%	33.4%	185	139
B	19.5%	52.9%	108	117
C	18.6%	71.5%	103	96
D	7.0%	78.5%	39	85
No award	21.5%	-	119	-

For this Course, the intention was to set similar grade boundaries to previous years. A change in format to the question on Partnership/Current Accounts caused unintended additional challenge to candidates. The C boundary was reduced by 4 marks and the A boundary by 1 mark to take account of this issue.



## 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.