

Examiners' Report

GCE AS Level Accounting (6001)

June 2006

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ACCOUNTING 6001, CHIEF EXAMINER'S REPORT

General Comments

Candidates were generally well prepared for the examination and could demonstrate a wide range of accounting skills and knowledge. Candidates were particularly strong in Section A, which required the demonstration of skills and knowledge from a number of different topics from the syllabus within a single question.

There was a marked improvement in the evaluative skills of candidates, with candidates making decisions based upon the consideration of alternative courses of action.

Specific Comments

Question 1

Candidates generally prepared accurate departmental trading accounts in good format. Candidates were generally able to apportion the expenses between the departments with accuracy. The sales ledger control account was generally prepared accurately, but candidates were less certain in preparing the provision for doubtful debts account.

Candidates were fully familiar with, and could apply, the rationale for the basis of expenditure apportionment. Evaluation of the possible change of departments was based on sound judgments.

Common errors were:

- The failure to use columnar format by a small number of candidates.
- Calculation of the bonus payable to sales assistants.
- Treatment of manager's loan as an expense.
- Preparation of the provision for doubtful debts account.

Question 2

Few candidates were able to calculate the value of goodwill at the commencement of business with most candidates using the business value of £85 000. Candidates could generally calculate the closing stock valuation, but some candidates failed to adjust for the value of the damaged water filters. The trading, profit and loss account, balance sheet and current accounts were prepared in good format, but many candidates made some calculations for a full year and not the six months required in the question. Although candidates had an understanding of the nature of goodwill, very few candidates could discuss the potential variation in treatment of purchased and non purchased goodwill.

Common errors were:

- Calculation of goodwill value at commencement of partnership.
- Treatment of damaged water filters valuation in the calculation of closing stock value.
- Consideration of any circumstance in which goodwill might be retained in the accounts.
- Depreciation, interest on capital and partners salary being calculated for one year and not six months.

Question 3

Candidates generally prepared good answers to all sections of the question with the exception of the provision for depreciation account, where answers were varied. Candidates generally calculated ratios accurately, were aware of the disadvantages of remunerating employees using bonus payments, and could evaluate the position of the business.

Common errors were:

- Preparation of the provision for depreciation account.

Question 4

Candidates generally prepared good accurate answers to all sections of the question and there were no common errors.

Common errors were:

- None.

Question 5

Many candidates calculated the labour and overhead rates based upon the total available hours in the working year and not the hours which could be charged to customers. Candidates were able to accurately prepare a quotation for work. Few candidates could demonstrate an awareness of the characteristics of job costing or identify activities which could not be charged to customers. Candidates generally listed activities which were overhead costs which would be included in the overhead recovery rate.

Common errors were:

- Labour and overhead costs recovered on attendance hours and not proportion of time that can be charged to customers.
- Knowledge of the characteristics of job costing.
- Identification of activities which will not be charged directly to customers.

Question 6

Candidates were aware of the formulas for the three ratios tested but generally experienced difficulty in deriving the balances to include in those formulas. In particular, few candidates correctly calculated the debtors and creditors balances. Candidates could however explain the business entity and going concern concepts and apply these in offering advice in the scenarios stated. Candidates could generally describe a credit control process, although some candidates suggested trade discount rather than cash discount as a means of ensuring swift payment. Candidates effectively evaluated the usefulness of a schedule of debtors.

Common errors were:

- Deriving balances to include in the ratios.
- Distinction between cash discount and trade discount.

Question 7

Candidates prepared answers of varied accuracy. Most candidates could accurately post the balances at the start of the period. When posting the actual income and expenditure entries, candidates regularly adjusted those payments to take account of the year end adjustments, failing to treat the year end adjustment as a separate entry. Candidates were familiar with the accruals concept but were less familiar with the realisation concept, often confusing this with the realisation account.

Common errors were:

- Posting of income and expenditure to ledger accounts.
- Understanding of the realisation concept.

ACCOUNTING 6001, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	62	55	48	41	34

Note: Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.
