Examiners' Report/
Principal Examiner Feedback

January 2012

GCE Accounting (6001) Paper 01

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Unit 1 – The Accounting System and Costing

General Comments

Candidates were very well prepared by Centres for the January 2012 examination. Centres continue to be congratulated on their continual improvement in the preparation of candidates for the Examination.

Candidates were able to demonstrate the application of a wide range of accounting skills, knowledge and evaluation to the questions examined. The improvement in candidates' treatment of the costing questions in the examination continued.

There was a marked improvement in the presentation of final and individual accounts. There was also a significant improvement in the narrations used when balancing accounts.

Specific Comments

Question 1

Candidates generally gave good responses to the question examined. Candidates generally used non IAS terminology and Centres are reminded that for the June 2012 examination the Examination will be set and candidate responses should be in IAS terminology and format. The evaluation of the offer of manufacturing by an overseas supplier was very well answered

Common errors were:

- Failure to identify the manufacturing wages as a direct cost. These were often included as factory overheads.
- Omission of the goods purchased in the trading section of the Statement of Comprehensive Income.
- Failure to account correctly for the Long Term Loan in the Statement of Financial Position. The loan was often added to the net assets or added to capital before adjustment for profit for the year and drawings.

Question 2

Many candidates were unclear how compensating errors occurred. Candidates generally prepared sound answers to the journal entries and could extend the corrections to prepare a corrected Trial Balance. Preparation of the ledger accounts was generally accurate with good narrations. Candidates prepared good evaluations, which were balanced and informed, of the use of a trial balance.

Common errors were:

- Defining an error of compensation.
- Recording the introduction of new capital accurately in the Journal.
- Identifying and recording the Disposal Account balance in the Trial Balance.

Question 3

Candidates were generally able to define semi-fixed costs and giving a suitable example. They were also aware of the distinction between allocation and apportionment. Candidates were generally aware of the method of continuous depletion and prepared good answers to the calculation of the re-apportioned overhead to the two production departments.

Overhead rates per hour were generally accurately calculated and a comparison of budgeted cost and actual cost made. Some candidates attempted to provide a comparison of budgeted and actual costs in a rate per hour format, not in total. The cost of overheads to be included in the quotation was often poorly prepared with no total overhead cost derived.

The evaluation of separate departmental overhead rates as an alternative to a single overhead rate was limited with a limited rationale stated.

Common errors were:

- Calculation of total over/under absorption per department. Some candidates preparing their responses as a cost per hour not in total.
- Evaluation of the rationale for separate departmental overhead recovery rates as an alternative to a single overhead recovery rate.

Question 4

Most candidates prepared the Cash Book in good format and with reasonable accuracy. However, the rent was often incorrectly recorded. The Statement of Comprehensive Income was generally well prepared although again, the rent included was often inaccurate. The Statement of Financial Position was prepared in good format, but commonly, the trade receivables were recorded as £71 000. Candidates had a good understanding of the issues involved in maintaining, or not maintaining, a set of double entry accounts.

Common errors were:

- Accurate recording of the rent in the Cash Book and Statement of Comprehensive Income.
- Calculation of trade receivables in the Statement of Financial Position.

Question 5

Candidates continued to improve their answers to costing questions. They were generally aware of the characteristics of job costing. Good attempts were made in the calculation of the hourly rate to be charged for electrical works, although many candidates included the mark up on raw materials in the labour and overhead calculation. The quotation price often included a full year's overheads. Candidates were far more aware of the non-directly chargeable duties that would be required in the running of the business than had been the case in previous examinations.

Common errors were:

- Application of the raw material mark-up percentage to the labour and overhead costs in the calculation the hourly rate.
- Inclusion of the total overhead for the year in the individual quotation price.

Question 6

Candidates prepared answers which accurately calculated all ratios. Comments and suggestions for the trend in ratio movements were appropriate. Candidates were less clear how overall liquidity could be improved for the business. The evaluation of the businesses position tended to be a list of ratio calculations without any overall evaluative comments.

Common errors were:

- How overall liquidity could be improved.
- Evaluation of the business position.

Question 7

Candidates generally prepared an accurate Purchases Ledger Control Account to calculate the credit sales and from this accurately calculated the total purchases for the period. In the Trading Account, many candidates failed to convert the mark-up into a sales margin and hence failed to calculate the correct cost of sales from which the closing inventory was derived. Many other candidates failed to adjust for the inventory stolen and recorded the closing inventory as £7 850, before the theft.

Common errors were:

- Failure to convert the mark-up into a sales margin.

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