



A-Level

# Accounting

7127/1 Paper 1: Financial Accounting

## Report on the examination

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## Overall

The vast majority of students found this examination accessible in that they were able to provide answers for almost all the questions. Many questions were well answered with students demonstrating good exam technique by showing workings and planning longer written answers. The answers to the extended response questions (Q16 & Q17) demonstrated that students had been well prepared for these type of questions and were able to write extensively and had clearly understood the demands of the level of response approach. However, there is a danger that students sometimes follow a quite formulaic approach to their answers, for example stating that A should be chosen or B should be chosen but then neglecting to provide an overall judgement with a rationale as to why they have made the decision. In addition, a growing number of students put limitations of the data by simply asking questions without explaining why knowing this data would help make a more informed judgement.

## Questions 1-10

The multiple choice questions are designed to test students' knowledge and understanding. Many of these questions were answered correctly by a high proportion of students. The best response rates were for questions two (gross profit margin formula) and question four (trade receivable days formula) which were both knowledge based. The less successfully answered questions were for question seven (calculation of expenses using a formula) and question nine (calculation of rental income). Given the fact that applying knowledge is more difficult than simple recall, this is to be expected.

## Question 11

This question required students to explain two reasons why a new business might offer trade discounts. The vast majority of students were able to identify reasons but were unable to apply this to the context of a new business and gain the full three marks for each reason thus scoring four marks. A number of students gave answers surrounding cash discounts losing marks as a result.

## Question 12

This question asked students to prepare an extract from the statement of financial position to show non-current assets. Students scored highly on this with over a quarter gaining full marks. Marks were lost by not using the additional information on purchases and sale of non-currents assets and not showing clear workings.

## Question 13

This question asked students to prepare a sales ledger control account and a sales account. The control account was answered quite well generally, but the sales account was answered less well. Common mistakes were the labels which did not give the name of the other account or book of prime entry but simply copied the narrative from the question.

### Question 14

This question asked students to prepare an income statement for a limited company. This drew a good variety of responses with some student clearly knowing the layout requirements and others preparing an income statement for a sole trader. This costs students marks. For the second part of the question students were asked to explain how this statement might be useful to the employees of P Ltd. The best responses were able to put this into context by using the figures to support the comments made. The lower-scoring responses made very generic comments which were not applied clearly to the scenario. This has also been a common theme in previous series and is an area future students could work to improve on.

### Question 15

This question firstly asked students to prepare capital accounts and an appropriation account for a partnership. This drew a wide variety of answers with lots of students scoring highly. At the lower end of the marks, labels in the capital accounts were incorrect and goodwill was frequently done the wrong way round, or the same figures put on both sides of the account. In the appropriation account, a number of students calculated figures such as interest on capital and drawings for the whole year, rather than for three months. For the written question students were asked about the usefulness of a partnership agreement. As with Q14, those who applied it to the context (e.g. quoting impact of the partner leaving and the amount partners received) scored highly. Those who made generic comments scored lower as a result of not applying their knowledge.

### Question 16

This question asked whether a business should change its accounting systems by employing an accountant or a book-keeper or to keep the current system. This question was often quite well answered with many students getting a good balance of financial and non-financial factors. Students were frequently able to underpin theory with good application (use of number in particular) and the best students gave limitations to the data and explained how and why knowing this data would help them make a better decision. Conclusions were sometimes lacking and it would benefit students marks if they could fully justify decisions made. Less successful students frequently copied parts of the question out without using the information to give analysis and evaluation.

### Question 17

This question asked students to give advice on whether to sell shares in a company based on financial data, a statement of changes in equity and some additional information. The most successful students identified that Aisha's shareholding was actually worth more as a result of the bonus issue. They also pointed out that the low dividend might be a one off due to the reinvestment of profits elsewhere and that she could receive larger dividends in the long term. Calculations were used and compared to the sector leading company to good effect. Less successful students tended to focus on either financial or non-financial rather than balancing their argument effectively. Some even brought into consideration of whether the shares had sentimental value having been passed down as well as the obvious environmental issues posed in the scenario. As with Q16, limitations of the data must be explained as to why certain information would help rather than simply posing questions.

## Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.