



A-LEVEL ACCOUNTING

7127/1 Paper 1: Financial Accounting
Report on the Examination

7127
June 2019

Version: 1.0

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General comments

This was the first sitting of 7127/1 and overall the results are encouraging. There was evidence throughout of good practice, although as always there are areas where improvement can be made. One such area is the analysis of stimulus material to support written answers. The second is time management as a small number of students spent less time on the extended response questions than would be indicated by the marks available. Some students produced very brief responses to Question 17, which suggests they ran out of time.

Extended response questions

Students were not always well prepared to tackle these questions, although some were able to write extensively and end with a reasoned conclusion. A common weakness, however, was a failure to analyse the numerical data and use the results to support the conclusions/recommendations.

Workings

Students **must** show their workings in the space provided for the answer to the question. Too many students are making adjustments to the question itself and hence not using the correct space. This is not good practice as these adjustments may not be visible to the examiner and thus will not be rewarded marks.

Students who were better prepared provided full workings which were annotated and linked clearly to their final answer.

Common errors with workings are:

- a list of numbers, with no indication what they refer to
- a list of numbers with no end total - so again, it is difficult to know to which number in the final answer they refer
- a list of numbers ending in a total, which is then not used in the final answer.

Questions 1-10

The responses to the objective test questions were positive with most students providing correct answers. However, three questions proved a little more problematic:

- **question 3** - the impact on profit and current asset valuations when items of inventory are missed in a stock take
- **question 5** - the closing balance on a rent receivable account
- **question 10** - the correct source document for a transaction.

The table below represents the approximate success rate for each question.

Question	% success
1	65%
2	69%
3	52%
4	63%
5	22%
6	66%
7	90%
8	74%
9	79%
10	46%

Question 11

This question required students to explain why it is important to make a provision for doubtful debts. Students were often able to link to the prudence concept but did not always develop their answer with the impact on profit and current assets.

Question 12.1

This question asked students to prepare a purchases ledger control account which was targeted at AO1. Most students got this correct. Those who gave incorrect answers put one item on the wrong side, gaining four marks, or they put each item on the wrong side, thus gaining only one mark which was for the balancing process.

Question 12.2

This question asked students to prepare a sales ledger control account which was targeted at AO1. As with Q12.1 most learners got this correct. Those who gave incorrect answers put one item on the wrong side, gaining four marks, or they put each item on the wrong side thus gaining only one mark which was for the balancing process.

Question 13

This question tested the ability of students to complete a double-entry task. The marks achieved were surprisingly low for this fundamental area of accounting. Many students labelled the entries incorrectly, ie did not use the name of the account for the corresponding entry but a description of

the transaction instead. Many were unclear how to close the disposal account by a transfer to the income statement, and often left a balance brought down in error.

Question 14.1

This question focused on completing an income statement from incomplete records. Many students scored well and gained over 10 marks. Common mistakes were to use gross profit margin rather than mark up, and to not calculate the stolen cash and/or depreciation correctly. As noted above, workings were frequently not used or not clearly labelled. A small minority of students did not know the layout of an income statement which is clearly of fundamental importance to the study of accounting.

Question 14.2

This question focused on computerising the accounts of a small business. Many students gave generic answers which were not well applied to the question. The more able students were able to reflect on the cost of the system compared to the relatively small amount of cash stolen and the return they might get from this. Application to the stimulus material is essential to scoring highly on this type of question.

Question 15.1

This question required the preparation of a revaluation account. As with Question 13, some responses to this question demonstrated a surprisingly poor understanding of the principles of double-entry ie the same values posted to both sides of the account, and the account not closed correctly. There are alternative approaches to this task and the mark scheme reflects this.

Question 15.2

This question required the preparation of a capital account. This question was less well answered. Common errors were:

- the opening balance being missed or placed on the debit side
- omitting the current account balance for Nando
- not closing the account correctly. Since Nando was leaving there should not have been a balance brought down at the end.

Question 15.3

This question focused on accounting ethics. However, whilst the aspects frequently referred to were relevant, they lacked the necessary application to the scenario. It is not known if Nando's accountant was behaving ethically or not, ie only one asset was increased in value and the other partners might have had the items valued themselves to check the accuracy of the figures.

Question 16

This was a challenging question and required students to plan their answers carefully in order to address all elements of the task, namely:

- evaluate financial data for prior years and identify trends in performance
- evaluate two alternative courses of action

- give a recommendation.

Those students who did not appear to have a plan often failed to address all of the requirements and were awarded fewer marks based upon the grade descriptor. The students who achieved higher marks often had plans at the start, which resulted in their answer having a clearer focus and allowed them to demonstrate understanding more quickly. Some answers were very lengthy but tended to be repetitive in nature and therefore lacked depth.

To achieve the higher-level grade descriptors, students must consider the significance and limitations of the evidence used to support their judgement. A good number attempted this but often the limitations identified were generic. For example, some identified that financial data from prior years by its nature is always dated and is not specific to the scenario provided, or the capital cost of each option and how much finance is available to the directors.

Question 17

This question was based around sources of finance – ie partnership and shares in a private limited company.

It was surprising that the answers showed many students had significant gaps in their understanding of shares and partnerships. Common mistakes were:

- stating 'shares are quick and easy to issue'
- role of shareholders – many students thought they would always be involved in the day to day running of the business
- paying an increased dividend to new shareholders only – eg not including existing shareholders.

Missed opportunities for application included:

- not calculating the increased dividends and drawing comparisons with the amount each partner would receive
- not calculating the difference between what Jasmeen would get as a sole trader currently and what she would receive if it became a partnership.

Without good application it becomes difficult to assess and evaluate the options. The data provided will require some analysis which can then be used to support the argument put forward by students. The results of calculations that are not embedded in the answer have little if any value. Again, there was some evidence of planning which resulted in answers of a higher standard.

The majority of students provided a recommendation which they had tried to support by applying and analysing some of the data given, which is an improvement from the AS exam in 2018 where many students failed to give a recommendation.

Use of statistics

Statistics used in this report may be taken from incomplete processing data. However, this data still gives a true account on how students have performed for each question.

Mark Ranges and Award of Grades

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