



LEAVING CERTIFICATE EXAMINATION

2000

ACCOUNTING

HIGHER and ORDINARY LEVELS

CHIEF EXAMINER'S REPORT

ORDINARY LEVEL

1. INTRODUCTION

The syllabus for this subject was revised in 1995 and assessed for the first time under a new examination format in June 1997. The format and time allocation for both levels of examination are identical.

The examination is a three hour terminal written one. There are no other components included in the assessment. Unlike in other subjects, however, a written examination is the preferred mode by which a practical test in Accounting would be set and therefore the 3 hour test combines theory with practical application to a unique extent at Leaving Certificate level.

The examination paper has 3 sections, Financial Accounting (120 marks) Financial Accounting again (200 marks) and Management Accounting (80 marks). In Section 1 there are 4 questions, one carrying 120 marks and the other 60 marks each: candidates are

asked to attempt either the 120 mark question or two 60 mark ones. In Section 2 there are three 100 mark questions and candidates are required to take any two. In Section 3 there are two 80 mark questions and candidates need attempt either one.

2. PERFORMANCE OF CANDIDATES

The number of candidates who sat the Ordinary Level Accounting paper in 2000 was **2,928**. This shows a drop of 8.8% over the number in 1999.

The following is a summary of the grades awarded to those candidates:

Grade	A	B	C	D	E	F	N/G
Number	498	695	637	546	249	222	81
Percentage	17.0	23.7	21.8	18.6	8.5	7.6	2.8

A fuller breakdown of all the grades is included in the Appendix together with the full results for 1999 and 1998.

Although a significant number of very well prepared candidates sat Accounting at Ordinary level, there was also a significant group with poor results as indicated by the combined E, F and NG rate of 19%. The standard of answering by these candidates provides clear evidence of an inadequate foundation in Accounting. It is significant that as many as 10.4% of candidates were unable to achieve a grade E.

3. ANALYSIS OF PAPER

The order of popularity in answering questions was as follows:

Section	Question	Marks	Position	% Take up
1	1	120	1	79%
1	2	60	7	22%
1	3	60	8	11%
1	4	60	9	6%
2	5	100	2	78%
2	6	100	5	48%
2	7	100	3	65%
3	8	80	4	60%
3	9	80	6	33%

The high standard of neatness and presentation of recent years was maintained. There was little or no evidence of time shortage. As many as 16% of candidates answered an extra question in either section 1 or 2. However in section three about 7% of candidates did not attempt any question. These were generally the poorer performing candidates. There is also evidence that a small number of candidates answered 4 or 5 questions but not from the required sections. Some candidates answered question 1 and also chose another question from section one as one of their four questions.

The vast majority of candidates (79%) choose question one rather than the two sixty mark question option.

Question 1: Final Accounts of a Sole Trader

This was the most popular question with an uptake of 79%. The average mark gained was 94 or 78% of total marks. It is clear that candidates were well prepared for final accounts. This was reflected in the confident way they presented their work. Many candidates showed headings in the profit & loss account, and the balance sheet caused little difficulty. This question was the main provider of marks even for the less high scoring candidates.

When marks were lost, they were lost for the following reasons:

- failure to apportion carriage, wages and salaries
- returns in and returns out were confused
- incorrect figure for advertising due
- incorrect figure for interest as well as failure to provide for interest due
- incorrect treatment of provision for bad debts
- incorrect treatment of drawings
- incorrect figure for depreciation on office equipment.
- commission received and discount received incorrectly treated as expenses
- term loan incorrectly treated as part of capital

Question 2: Club Accounts

This was seventh in the popularity list, but the most popular of the sixty mark questions with an uptake of 22%. The average mark gained was 41 or 68% of total marks. In general the question was well answered apart from part (c) which was often not attempted.

The accumulated fund caused little loss of marks except for:

- omission of cash balance on 1 January 1999
- subscriptions prepaid figure was incorrectly treated as an asset

In the income and expenditure account, marks were lost through:

- failure to adjust general expenses, particularly expenses due on 1 January 1999
- incorrect bar profit because of omission of creditors and payments to creditors when calculating purchases
- incorrect depreciation figure for equipment
- confusion of subscriptions due and prepaid

Question 3: Profit and Loss and Balance Sheet of a Limited Company

This question was attempted by only 11% of the candidates. The average mark gained was 42 or 70% of total marks. In general the question was well answered particularly by those candidates who changed from higher to ordinary level. It was generally attempted by the better prepared candidates within the group who had opted not to do question 1.

When marks were lost, they were lost for the following reasons:

- incorrect interim dividends
- incorrect proposed dividends
- incorrect reserve at 31/12/1999
- incorrect Profit and Loss balance on 31/12/1999
- omission of authorised capital in Balance Sheet
- omission of taxation in Balance Sheet

Question 4: Recording on a Tabular Statement

This was the least popular of the sixty mark questions with an attempt rate of 6%. The average mark gained was 44 or 73% of total marks. In general the question was well answered and proved to be the second most rewarding of all the questions. It was generally attempted by the better prepared candidates within the group who had opted not to take question 1 and who had possibly changed from higher to ordinary level. The lower scoring candidates simply produced ledger accounts.

When marks were lost, they were lost for the following reasons:

- failure to recognise discount on 4th December
- incorrectly adding discount to account balance
- failure to recognise profit on 8th December
- failure to recognise bad debt on 17th December

Question 5: Interpretation of Accounts

This was second in the popularity list and the most popular of the 100 mark questions with an uptake of 78%. The average mark gained was 58 or 58%. The standard of answering of this topic has continued to show improvement. The candidates who were prepared well for this topic were suitably rewarded. These candidates fared well in this question and many of them gained in excess of 90 marks. However, a number of candidates attempted this question who had a little knowledge of the topic and clearly would have fared better had they attempted other 100 mark questions. The average mark has been distorted by the many attempts of lower scoring candidates.

Part (a) was well answered apart from the acid test ratio, where many candidates incorrectly used current assets. The less well prepared candidates also had difficulty with the stock turnover and the calculation of the purchases figure.

Part (b) in general was not as well answered as part (a). Many candidates had difficulty explaining preference dividend and return on capital employed. However both debentures 2006/2008 and shareholders funds did not present much difficulty.

Part (c) was loosely answered except by the well prepared candidates. Only the better prepared candidates commented on the liquidity and used the acid test ratio as a back up. Part (d) was a mixture of good and poor answers. The better prepared candidates produced the return on capital employed for 1999 but were unable to provide appropriate comment or comparison. Fewer still compared the 1999 figure with risk free investments. The low scoring candidates merely used the gross profit percentage.

Question 6: Bank Reconciliation Statement and Control Accounts

This was fifth in the popularity list and least popular of the 100 mark questions with an uptake of 48%. The average mark gained was 66 or 66% of total marks. In general the question was well answered and candidates received a good return for their work. The adjusted bank account was in general well answered with some candidates gaining full marks.

The bank reconciliation statement was not as well answered as some candidates had difficulty selecting the entries for the reconciliation statement. The less well prepared candidates either ignored this statement or were so confused that they merited very few marks. A sizeable number merely reproduced both the bank account and the bank statement and made a few adjustments. The better prepared candidates had little difficulty with this section.

Most common mistakes were in dealing with:

- interest received
- dishonoured cheque
- error £310 on 28th May.

The control accounts were a mixture of well answered accurate presentations by some and hit or miss attempts by others. In general, most candidates received a fair return for their efforts. The better prepared candidates gained very high marks but many of the others either reversed entries within the accounts or treated debtor entries as creditor entries.

It is encouraging that most candidates removed the cash purchases and cash sales from the overall purchases and sales.

When marks were lost it was generally as a result of:

- balances on incorrect sides
- discount allowed and received confused
- bills payable and received confused
- interest charged on overdue accounts incorrectly treated
- payments incorrectly treated
- incorrect treatment of transfer from one ledger to the other

Question 7: Cash Flow Statement

This question was third in the popularity list with an uptake of 65%. The average mark gained was 76 or 76% of total marks. In general this question was well answered and it turned out to be the second most rewarding for the candidates. Many of the high scoring candidates scored full marks, while most others earned a good return. This was the question that provided the highest number of full marks. Most candidates selected the transactions that affected cash flow but fewer understood whether the effect was inflow or outflow.

When marks were lost, they were lost for the following reasons:

- omission of depreciation
- incorrect cash inflow from operating activities
- including 1999 dividends due and taxation due rather than amounts paid
- cash flows entered under incorrect heading
- incorrect decrease in cash

Question 8: Cost Volume Profit Analysis (Marginal Costing)

This was fourth in the popularity list with an uptake of 60%. The average mark gained was 52 or 65% of total marks. In general this question was well answered providing full marks for the well prepared candidates. It was also attempted by many lower scoring candidates, resulting in a lower than expected average mark. However many of the C/D candidates showed an understanding of this area and received a good return of marks. Parts (a), (b) and (c) presented little difficulty to most candidates but parts (d), and (e) were less well answered even by some of the better prepared candidates.

When marks were lost, they were lost for the following reasons:

- not knowing break-even formula in part (b)
- not showing contribution in marginal costing statements.
- wrongly using variable costs instead of contribution in part (d)
- little knowledge of how to arrive at margin of safety either in units or in sales revenue. All sorts of irrelevant data were used

Question 9: Cash Budgeting

This was sixth in the popularity list with an uptake of 33%. The average mark gained was 50 or 63% of total marks. Although this was not a popular question, those who attempted it were well rewarded. Those candidates were familiar with this area since the Junior Certificate and therefore attempted it with confidence.

In part (a) marks were lost through:

- confusing receipts and payments
- failure to deal with the £20,000 cash purchases in May
- not showing the net monthly cash flow
- payments for purchases and receipts from sales entered under incorrect month
- incorrect monthly figure for rent

In part (b) the attempts were much poorer than in part (a). Marks were lost through

- equipment omitted
- debtors omitted or incorrect figure shown
- incorrect figure for cash balance
- incorrect figure for creditors

4. OVERALL COMMENT

The pattern of results at this level is greatly influenced by the significant numbers of students who transfer here from the Higher Level programme towards the end of their course in the subject. These students often perform very well in the more straightforward Ordinary Level examination, thus accounting for the relatively high proportion achieving A/B grades.

At the other end of the scale a high proportion of students show little mastery of the concepts underpinning the disciplines and topics on the syllabus. The E, F and NG rates are high and it is clear that the 10.4% who did not achieve an E grade had little understanding of the subject.

5. RECOMMENDATIONS FOR TEACHERS AND STUDENTS

- Students could practise final accounts regularly, as a good attempt at Question 1 will merit, say, 100 marks. This area will already be familiar to most students from Junior Certificate Business Studies.
- Students could to be encouraged in class and during revision with shorter and straightforward questions in the other topics. A correct start in any examination question can garner a considerable proportion of the marks
- Motivated students could be encouraged to persist with the Higher programme as long as possible as there is a good chance that they will achieve a D or higher at this level.

HIGHER LEVEL

1. PERFORMANCE OF CANDIDATES

The number of candidates who sat the Higher Level Accounting paper in 2000 was **5,666**. This represents a reduction of 6.3% on the 1999 numbers

The following is a summary of the grades awarded to those candidates:

Grade	A	B	C	D	E	F	N/G
Number	988	1,799	1,375	978	353	142	31
Percentage	17.4	31.8	24.3	17.3	6.2	2.5	0.5

A fuller breakdown of all the grades is included in the Appendix together with the full results for 1999 and 1998.

2. ANALYSIS OF PAPER

The order of popularity in answering questions was as follows:

Section	Question	Marks	Position	% Take up
1	1	120	4	50%
1	2	60	6	44%
1	3	60	9	13%
1	4	60	7	42%
2	5	100	8	32%
2	6	100	1	89%
2	7	100	2	73%
3	8	80	3	51%
3	9	80	5	46%

The standard of answering was higher than in recent years. Work presented by candidates was neat and although there is an increase in the use of pencil, there is a corresponding decrease in the use of correcting fluid. There was little evidence of time shortage whether the candidates chose question 1 or two other questions from section 1. A small number of candidates answered an extra question in either section 1 or 2 while in section three about 3% of candidates did not attempt any question. However in section 3 as many as 5% of

candidates attempted both questions. There is also evidence that a small number of candidates answered 4 or 5 questions but not from the required sections.

Question 1: Final Accounts of a Limited Company

This question was fourth in the popularity list with an uptake of 50%. It was, however, the best answered question, with many candidates scoring over 110 marks. The average mark for this question was 92 marks or 77% of total marks. In most cases work was presented neatly and workings clearly shown. Weaker answers, without workings, lost marks but nevertheless fared better than in the other questions.

The areas that caused most difficulty and consequent loss of marks were:

- incorrect figure for purchases as a result of delivery van:
- incorrect figure for general expenses due to ESB bill
- incorrect figure for closing stock due to net realisable value
- incorrect write off for patents
- incorrect depreciation on buildings
- incorrect depreciation on delivery vans
- omission of loss on sale of delivery vans
- incorrect figure for provision for bad debts
- incorrect ordinary dividend
- incorrect debtors due to bad debt
- incorrect figure for creditors due to error in bank account
- incorrect figure for bank
- incorrect revaluation reserve

Question 2: Service Firm

This question was the most popular of the 60 mark questions and sixth in the popularity list with an attempt rate of 44%. The average mark gained was 44 or 73% of total marks. This question was considered long but not unduly difficult and the answering has shown an improvement from earlier years. All candidates who attempted this question received a fair return for their efforts.

The areas that caused most difficulty resulting in loss of marks were:

- incorrect figure for medical insurance scheme
- incorrect figure for income from private patients
- omission of loss on disposal of equipment
- incorrect figure for cost of medicines
- interest due either omitted or incorrect figure used
- omission of amount due from private patients
- incorrect figure for bank

Question 3: Published Accounts

This question was the least popular of the 60 mark questions and ninth in the overall popularity list with an uptake of 13%. The average mark gained was 40 or 67% of total marks. The popularity of this question dropped from previous years owing to the choice within section one but more particularly because it was in section two in previous years. It was well answered by the small number who attempted it. Many candidates gained marks in excess of 50. It seems that some students felt obliged to take this question because the other options seemed less attractive and they fared rather badly. The majority of

candidates gained high marks from their presentation of “notes”. Part (b) was generally badly answered.

When marks were lost it was mostly as a result of:

- incorrect sequence of entries in the Profit and Loss Account
- incorrect figures for distribution costs and cost of sales
- incorrect figures for patents, depreciation and revaluation reserve
- omission of part (b) or poor attempts. Little understanding of term “audit”

Question 4: Creditors’ Control Account

This question was the second most popular of the 60 mark questions and seventh in the overall popularity list with an uptake of 42%. The average mark gained was 45 or 75% of total marks. It was the second best answered question overall. The higher scoring candidates gained marks in the high fifties and a sizeable number gained full marks. The adjusted control account was a better source of marks than the adjusted schedule of creditors.

The areas that caused most difficulty and consequently caused loss of marks were:

- reversal of entries in the control account
- adding instead of subtracting in the schedule
- incorrect figure for interest
- incorrect treatment of cash purchases
- restocking charge incorrectly treated or use of incorrect figure
- incorrect final balance

Question 5: Interpretation of Accounts

This question was eighth in the popularity list with an uptake of 32%. The average mark gained was 57 or 57% of total marks. The popularity of this question dropped from previous years as a result of the choice available in the new paper. The less well prepared candidates, as in previous years, had difficulty with this area of the syllabus, but the better prepared candidates received a reasonable reward for their efforts. The question was frequently attempted by candidates who felt they could not attempt one of the other two questions in this section of the paper.

Part (a) of the question was well answered and was a source of high marks for most candidates with a good percentage of them gaining full marks. The question required ratios for two years which helped the candidates when calculating for the second year and which resulted in candidates being rewarded for consistency.

When marks were lost it was mostly as a result of:

- not adjusting profit with interest figure when calculating interest cover.
- not adjusting earnings with preference dividend £24,000 when calculating earnings per ordinary share
- incorrect ordinary dividend when calculating dividend yield. Some students used total dividend

Part (b) of this question was not as well answered as part (a). Candidates displayed a good ability to provide relevant figures but were unable to provide adequate comment on these figures. Not enough information was extracted by many candidates from the accounts provided and vital information was omitted particularly by poorer scoring candidates such as:

- trends
- sector
- market value of share
- investment policy
- return to shareholders

Question 6: Incomplete Records

This question was the most popular overall having been attempted by 89% of the candidates. The average mark gained was 74 or 74% of total marks. It is clear that most candidates had a good understanding of incomplete records. This was the best answered of the 100 mark questions and many candidates received a good return for their work with a sizeable number of the well prepared candidates gaining full marks. Candidates had their work well laid out, showing workings where necessary. A sizeable number of candidates treated covenant as drawings.

When marks were lost it was mostly as a result of:

- incorrect purchases and sales
- incorrect drawings figures deducted from expenses
- incorrect figures for furniture, investments and bank
- omission of goodwill
- dividends incorrectly treated as income instead of capital introduced
- incorrect figure for interest
- omission of interest due
- incorrect treatment of insurance prepaid on 1/1/1999

Question 7: Correction of Errors and Suspense Account

This question was the second most popular with an attempt rate of 73%. It was well answered and produced an average mark of 71 or 71% of total marks. The better prepared candidates scored well in this question with many of them gaining in excess of 90 marks and some gaining full marks. This question was attempted by more candidates in 2000 than in previous years. Students displayed a better understanding of this area than in previous years.

Marks were lost because of:

- confusion of creditors with advertising in correction (i)
- failure to recognise discount in correction (i)
- incorrect figure for suspense in correction (ii)
- failure to recognise drawings/capital in correction (iv)
- incorrect adjusted net profit
- omission of some corrections from balance sheet

Question 8: Stock Valuation and Product Costing

This question was third in the popularity list with an attempt rate of 51%. The average mark gained was 56 or 70% of total marks. In general part (a) was poorly answered.

Those candidates who approached the question properly by first calculating the closing stock in units and then ascertained the stock value had little difficulty in gaining full marks. However many candidates tried to value the stock without first ascertaining the number of units and consequently lost some marks because of either not understanding FIFO or not applying it accurately.

The trading account part was well answered and when marks were lost it was generally because of incorrect gross profit.

The pricing of Job no 655 was well answered by most candidates and many gained full marks in this section. The miscalculation of selling price using 20% margin was a common error.

Candidates produced varied answers to the theory part of this question. Generally the reasons for product costing were somewhat vague.

Question 9: Cash Budgeting

This question was fifth in the popularity list with an uptake of 46%. The average mark gained was 48 or 60% of total marks. There were many variations in the presentation of the budget but generally it was well answered. The budgeted income statement posed difficulties for all except the high scoring candidates. Most candidates had little difficulty with the sales figures but only the better prepared candidates produced the correct purchases figures.

When marks were lost it was mostly as a result of:

- omission of opening cash balance and incorrect closing cash balance
- incorrect loan repayment and interest
- incorrect monthly rent
- incorrect opening and closing stocks
- incorrect rates, interest and depreciation.

3. OVERALL GENERAL COMMENT

The overall results this year reached the highest ever level, reflecting the reduction in numbers taking the subject and the maturing of the newer areas of the programme. It is likely that the reduced numbers of students taking the subject feel they have an aptitude for it and are therefore likely to make the necessary progress.

4. RECOMMENDATIONS FOR TEACHERS AND STUDENTS

- There is some evidence that students are not confident in certain areas of the programme and thus they are limiting their choice in the examination. This is evident this year in Section 3 where, for the first time, 3% of the candidates did not attempt either question. Students who prepare well and who give themselves an adequate choice in the examination are almost certain to achieve a good result in the examination.
- Understanding of the concepts and principles involved helps students to cope with new issues and changed wording likely to 'throw' other students.
- The increasingly positive trend in the performance of students in the subject is a reflection on the dedication and skill of the teachers of the subject.

APPENDIX

TABLE OF RESULTS IN ACCOUNTING FOR THE PAST 3 YEARS

HIGHER LEVEL

Year	Total	%A1	%A2	%B1	%B2	%B3	%C1	%C2	%C3	%D1	%D2	%D3	%E	%F	%NG
2000	5666	8.3	9.1	9.5	11.0	11.3	8.6	8.0	7.7	5.6	5.2	6.5	6.2	2.5	0.5
1999	6045	5.0	8.9	10.2	10.8	11.3	9.4	9.0	8.2	5.7	5.7	7.0	6.3	2.2	0.3
1998	6521	6.2	7.7	7.3	8.4	9.9	7.4	9.1	10.4	6.3	6.7	8.8	8.2	3.0	0.6

ORDINARY LEVEL

Year	Total	%A1	%A2	%B1	%B2	%B3	%C1	%C2	%C3	%D1	%D2	%D3	%E	%F	%NG
2000	2928	7.6	9.4	6.1	7.9	9.7	6.8	6.5	8.5	4.4	5.6	8.6	8.5	7.6	2.8
1999	3279	6.5	8.6	7.5	9.5	11.0	8.6	8.8	8.0	4.6	5.7	6.9	5.8	5.5	3.0
1998	3368	7.5	8.4	6.1	9.6	10.6	6.7	7.8	8.4	5.7	5.0	6.6	8.5	5.9	3.2