Examiners' Report
Principal Examiner Feedback

January 2018

Pearson Edexcel IAL
In Accounting (WAC11)
Paper 01 The Accounting System and Costing

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January 2018
Publications Code WAC11_01_1801_ER

General comments

There was much evidence of good preparation of students for the January 2018 examination by centres. Students generally were able to demonstrate a wide range of knowledge and the application of accounting principles.

Students continue to be strong in the preparation of financial statements but could improve their results by a greater understanding of the double entry which supports the accounting process. This was particularly evident in Questions 2 and 5 where some students did not capitalise on good work by completing double entry tasks. Centres may be helped by the programme Getting Ready to Teach IAL Accounting available on the Pearson website with advice about constantly refreshing the understanding of double entry.

Linked to the double entry, a minority of students lost marks for inappropriate narratives for balances carried and brought down. Centres are aware that the examiners will not accept c/d or b/d as a suitable narrative without further description.

Costing has often been cited as a weakness in students work but in this examination students generally prepared accurate calculations and a thorough understanding of the principles of costing.

Specific Comments

Question 1

Students generally equipped themselves well to this question. The manufacturing account was correctly set out and correctly labelled. The most common error was to include the distribution wages as either a direct cost or an overhead.

Most students were aware that the provision for unrealised profit account was an opening credit balance. The calculation of the adjustment was generally incorrect but correctly labelled. Most students brought down a credit balance.

The income statement was substantially accurate but many students did not include the manufacturing profit and even fewer students included their adjustment to the provision for unrealised profit.

The statement of financial position was generally substantially correct. Some students did not include the inventories for raw materials or work in progress. Few students adjusted the inventory for the provision for unrealised profit.

The evaluation was generally wide ranging, with appropriate points and balanced arguments.

Common errors:

- Including distribution wages in the manufacturing account
- Failure to adjust the provision for unrealised profit
- Failure to include the profit on manufacturing and the adjustment for unrealised profit in the income statement
- Failure to adjust the finished goods inventory for unrealised profit in the statement of financial position.

Question 2

Students generally prepared an accurate trade receivables control account. Some students recorded the interest charged to customers as a credit entry in error.

Students could generally identify two possible reasons for a credit balance on the account. They could also name the type of error from the five scenarios.

The journal entries were substantially correct with students achieving good marks on this part of the question. They were also familiar with a compensating error and why this would not affect the balancing of the trial balance.

The calculation of the new allowance for doubtful debts was generally accurate but in the ledger account many students added the 1 600 to the opening balance to open the account with 3 900. Then the 1 600 was taken as the adjustment resulting in a closing balance of 2 300. Students seemed to consider that the 1 600 was the adjustment figure, not the new balance that was required.

Many students did not attempt the Weston Supplies Account. Those that did often did not adjust the sales and returns for the effect of trade discount. Many students also carried forward a closing balance on the account even though the trader had gone into bankruptcy.

The evaluation of concepts and conventions was generally good considering a range of issues for and against. A small minority of students approached the question by describing concept and conventions each in turn. This was not the question that was being asked.

Common errors:

- Include the interest charged as a credit entry in the control account
- Preparation of the allowance for doubtful debts account
- Preparation of the Weston Supplies Account.

Question 3

Students accurately calculated the ratios at the start of the month, possible reasons for a bank overdraft and an accurate forecast for the coming month.

Many students did not sufficiently use the data from the question and their forecast to calculate the closing balances for the month. Many students did not start with the given opening balances or make any adjustments. As a result, the evaluation of the month end position was not considered and students incorrectly focused on the month opening position.

Common errors:

- Calculation of trade payables, trade receivables and bank at the end of the month.

Question 4

Students were generally aware of the term allocated costs and were aware why many overheads could not be allocated.

The re-allocation of the overheads using continuous depletion was generally well answered with many students achieving full marks. Hourly rates were then accurately calculated.

Students could generally describe the meaning of under absorption of overheads but were less certain about possible reasons why this might have been brought about.

The evaluation of the value of apportionment was much improved from previous examinations.

Common errors:

- No major errors.

Question 5

Students generally experienced difficulty calculating the depreciation on the four delivery vehicles. Particular difficulty was experienced in calculating the depreciation for the year for delivery vehicles A and B.

In the preparation of the journal entries many students did not transfer the balances for delivery vehicle A to the disposal account or include a narrative to the journal.

The ledger accounts for delivery vehicles and the disposal account were generally substantially correct although students should note the correct narratives in the delivery vehicles account.

Students were aware of the going concern and consistency concepts and could describe how this would affect the treatment of depreciation. Students were also generally aware of capital expenditure and revenue expenditure applications.

The evaluation by students was generally thorough with a range of arguments for and against over and above the depreciation method being simple and easy to use.

Common errors:

- Calculation of depreciation particularly for delivery vehicles A and B
- Preparing journal entries including disposal account.

Question 6

Students were generally aware that rent and rates required apportioning by area and marketing expenses by sales volume.

Students generally prepared accurate columnar accounts showing accurate apportionment and the profit for both departments. A minority of students did not include the transfer adjustment before applying the closing inventory.

The evaluation generally raised several valid points but many students did not arrive at a conclusion.

Common errors:

- No major errors