



Pearson
Edexcel

Examiners' Report

Principal Examiner Feedback

January 2020

Pearson Edexcel International Subsidiary /
Advanced Level

In Accounting (WAC11)

Paper 01 The Accounting System and Costing

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Publications Code WAC11_01_2001_ER

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Introduction

Centres are again to be congratulated on their preparation of candidates for the January 2020 examination. The majority of candidates prepared examination responses which were of good quality and in good IAS format. Candidates demonstrated the application of a wide range of accounting knowledge and skills throughout the paper.

Major strengths were demonstrated by candidates in the preparation of financial statements for the business entities set within the examination. The evaluation of business scenarios was again good with candidates generally offering a range of informed comments both for and against proposals, before reaching a measured conclusion.

Centres are again reminded that the examiners will no longer accept first letter abbreviations for the names of accounts. A narrative for example of IS for income statement or P and L for profit and loss will not be accepted as a valid narrative and marks will be lost. This supports the long established practice of not accepting 'b/d' as a narrative for balance brought down etc.

Question 1

The question was generally answered very well by candidates, who generally scored high marks.

In part (a) candidates generally prepared accurate journal entries to correct the errors. Part (b) was well presented and substantially accurate. The statement of profit and loss and the statement of financial position were in appropriate format and substantially accurate

In part (c) almost all candidates adjusted the opening capitals for the goodwill. There were many correct answers.

The evaluation was generally thorough with candidates considering a number of factors both for and against setting up a partnership, before reaching a measured conclusion.

Areas for improvement.

- There were no common errors requiring improvement.

Question 2

Candidates generally prepared good answers to the question. In part (a) candidates were generally very accurate in valuing the inventory. However, in part (b) there was some confusion in determining whether a change of method would result in an increase or decrease in the valuation of the closing inventory.

In part (c) candidates are still not fully aware of the difference between inventory rotation and inventory valuation.

In part (d) the sales ledger control account was generally substantially correct. A minority of candidates failed to balance off the account and many candidates omitted the £350 closing credit balance. In part (e) the combined balance of the cash and bank was calculated accurately, but most candidates failed to separate the bank balance from the cash and bank balance.

Candidates were generally aware of the reasons why the concepts of consistency and prudence were required. It was common for candidates to relate these concepts to depreciation when the candidates had been asked to relate them to current assets. The evaluation was generally well argued with a number of points both for and against. A minority of candidates chose to describe a range of concepts rather than evaluate their use.

Areas for improvement.

- Understanding the difference between inventory rotation and inventory valuation.
- Relating concepts to the question set, this was current assets not depreciation.

Question 3

There were parts of the question which were answered well and other parts where the responses were poor and demonstrated a general weakness in candidate's preparation of financial statements from incomplete records.

In part (a) candidates seemed unsure of the disadvantages of maintaining a full set of books. The ability to trace errors was a common answer, but this is not a fundamental failure if a full set of books is not maintained. Candidates generally accurately prepared the summarized bank account.

The income statement was answered reasonably well. Most candidates calculated the revenue and purchases with accuracy but failed to attach any value to the closing inventory. The statement of financial position generally had a number of omissions. The inventory and bank balances were generally omitted from the current assets and there

was no opening capital recorded. Candidates generally demonstrated that they were not completely comfortable with preparing financial statements from incomplete records and centres may wish to place extra emphasis on this topic.

The evaluation of the use of Information Communication Technology (ICT) generally contained considerations both for and against and a reasoned conclusion was drawn.

Areas for improvement.

- Understanding the issues for a business if a full set of accounting records is not maintained.
- Preparing financial statements from incomplete information.

Question 4

The question was generally answered well by candidates. Part (a) of the question caused most difficulty for candidates, many of whom were unaware of how a business might manage the collection of debts. Other candidates prepared excellent responses which demonstrated a thorough understanding of the debt collection process.

In part (b) candidates were generally able to calculate the four different ratios with accuracy. They could then evaluate the liquidity position in part (c) making sound judgements from the ratios calculated.

Areas for improvement.

- Failure to understand the features of a good credit control policy.

Question 5

Most candidates prepared answers to part (a) which were in good format with the accurate recording of expenses. Some candidates categorised production wages, royalties and management salaries incorrectly in the prime cost and production overheads sections. In part (b) candidates could generally calculate that the unrealised profit on the inventory would be £60 000 and that this would require a £10 000 adjustment. Candidates understanding of the process of recording unrealised profit was well demonstrated.

The evaluation of the group bonus scheme generally demonstrated a good knowledge and understanding of the application of such a scheme.

Areas for improvement.

- Incorrect categorisation of some expenses such as production wages, royalties and management salaries.

Question 6

The question was answered well by many candidates. In part (a) candidates were aware of the historic cost concept as it related to inventory but were less certain about net realizable value. Part (b) and (c) were answered well with many fully correct answers. In part (d) candidates generally calculated the revenue and cost of sales accurately, but errors were made in the calculation of both expenses. In the case of depreciation a full year's depreciation was charged not three months.

The evaluation in this question was not well answered, candidates rarely offered a rationale beyond the level of profit on printers and cartridges.

Areas for improvement.

- Calculation of expenses in the income statement.

Areas for centres to work on.

Candidates demonstrated the application of a wide range of accounting knowledge and skills throughout the paper. The standard achieved was good overall with no major deficiencies in knowledge or application. However, to further improve candidate's results in future examinations, centres may wish to consider the following areas in their future teaching.

- Preparing financial statements from incomplete records information.
- Understanding the difference between inventory rotation and inventory valuation.
- Understanding the issues for a business if a full set of accounting records is not maintained.
- Understanding the features of a good credit control policy.
- The categorisation of some expenses in the manufacturing account

