Examiners' Report
Principal Examiner Feedback

January 2021

Pearson Edexcel International Advanced Level

In Accounting (WAC12/01)

Unit 2: Corporate and Management Accounting

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Introduction
There was a very wide range of marks attained by students sitting this paper. Overall, the level of responses was reasonable, with a mean slightly below the usual average.

Question 1
This was the highest scoring question in Section A, but only by 1 mark. It was good to see that many candidates scored well in (a), when asked to complete the statement of changes in equity. The weakest part of the answers was the correct naming of the accounts in the row for the headings. Answers to (b), naming capital accounts were usually correct. There were reasonable answers to (c) but quite a few candidates calculated the total dividend paid in the year, rather than the possible maximum that could be paid as a final dividend. Answers to (d), Journal entries, were mixed and this part of the question discriminated well between those who knew their double entry and those who did not. It was pleasing to see the gearing ratio was often correctly calculated in (e), with both possible formulas allowed. Responses for (f), the evaluation of the change in the gearing ratio, were generally theoretically sound, but very often failed to refer to the circumstances of Bangla Aluminium. Often the only reference was the initial statement of "the gearing ratio rose from 35% to 52%". As a result, application was limited and answers could rarely be at level 3 or 4.

Helpful hints for common problems:
- Read all lines in the question and carefully take note of the dates. Many candidates failed to link the line at the top of the page to the required Journal entry in (d)(iii). Candidates were told to prepare the entries for 11 May (for £2.9 million), but instead entered the details from 12 February (for £3 million).
- Whilst entries in the statement of changes in equity were often accurate, candidates must be able to think how these entries would appear in a T-shaped account as well. Answers in (a) were very good but when asked to express as a Journal entry in (d), the answers were often poor.
- When there is more than one permissible formula for calculating the gearing ratio, which is why candidates were asked to show in (e) which formula they were using. If the question asks for the formula to be shown, this is what the candidates must do. Some answers did not show the formula being used.

Question 2
Some candidates clearly know all the theory concerning limiting factors and scored very well on this question. Unfortunately, the knowledge of other candidates is patchy and their scores were limited. Nearly all candidates could correctly calculate the correct labour hours required in (a). Many were familiar with the concept of a limiting factor in (b), but few referred to it as a factor of production. It was pleasing to see most candidates were able to calculate the correct contribution per unit for the four products in (c). Part (d) was found difficult by many candidates who just ranked in order for production by using the contributions calculated in (c). The extra step of calculating the contribution per labour hour, the limiting factor, was often omitted. The production schedule in (e) was usually calculated correctly, often benefitting from the own figure rule. Similarly, calculating the profit in (f) was often accurate, again benefitting from the own figure rule. It was good to see (g), looking at the details of employing extra staff, was often worked correctly, as this was a new angle on the topic. Answers to (h), evaluating the possible introduction of ICT, were often, unfortunately, generic and failed to show any application to Maria's business.

Helpful hints for common problems:

- When there is a limiting factor, the order of production, as requested in (d), will be determined by dividing the contribution for each product by the amount of the limiting factor used by one unit of each product. The product with the highest contribution per unit of limiting factor will be produced first.
- Evaluations often ask for a decision to be made. Some candidates often give both sides of the argument but then fail to add a conclusion and make a decision. In this example, a decision needed to be made concerning the possibility of Maria introducing ICT to her business. Candidates should have stated their decision giving the most important reason to support that decision. Here, a good decision would be not to introduce ICT on the grounds that the business is probably too small.

Question 3
This was the second highest question in terms of popularity in section B but was the lowest scoring question.

Answers to (a) were reasonably good, with many candidates able to calculate the purchase price of Waverley plc. Calculating goodwill in (b) was done reasonably well, with most candidates appreciating that goodwill was the purchase price less the agreed value of net assets purchased. However, many answers failed to correctly address the detail involved in valuing all of the net assets. Scores for (c), the Acquisition account, were very poor with most candidates having entries on the wrong side of the account. The evaluation of the goodwill paid in (e) was only reasonable, as candidates were not given many points for or against paying goodwill in the question. This meant candidates had to think up their own ideas as to why a considerable goodwill may be paid.

Helpful hints for common problems:
- If the question states that the Acquisition account is part of the double entry system, then assets will be entered on the credit side of the Acquisition account. This is the opposite side to when the Acquisition account is acting as a memorandum account.
- Candidates need to be aware of the need for application to the scenario in order to achieve a level 2 or 3 score. Too often, evaluations are generic with no or very little application to the scenario. Maybe candidates should ensure they use the names of the companies in the question in their evaluation and this may help steer candidates towards application.

Question 4
This was the third most popular question in Section B and the second highest scoring question. Candidates scored well in (a) when asked to calculate break-even point. Part (b), calculating the profit for the year, was also well answered. However, the margin of safety in (c) proved more challenging for candidates and scores here were low. Some answers to (d) explaining an advantage of break even analysis were good, but most were unable to show any development and scored only one mark. The evaluation in (e) was often quite weak, with answers often at level 1. Only a few candidates included any calculations in their answer. A starting point for calculations would have been the amount of tax to be paid using both taxation methods if the present level of renting rooms were to occur next year.

Helpful hints for common problems:
- Candidates need to learn the formulas for calculating the margin of safety. This could be for an answer measured in revenue (pounds) or as a percentage of sales.
- When a question part starts with "Explain…" there will be more than one mark available for the answer. Candidates will not attain more than one mark for a one- or two-word answer without development. To achieve the second mark, more detail or consequences need to be added.
- Candidates should be prepared to include some calculations in their evaluation. This may not always be the case, but it certainly was in this question.

Question 5
This was the most popular question in Section B and the best scoring question. Generally, part (a) was answered quite well, but there are clearly some candidates who have not learnt the formulae for investment ratios. Another recurring fault is a failure to give the answer units e.g. pence per share, or times, or percentage. Part (b) saw some reasonable attempts, including the possible future value of the shares. However, often the answers did not relate specifically to the question, being a generic evaluation of the use of ICT.

Helpful hints for common problems:
- Candidates need to study the information given closely. For example, many overlooked the fact that the shares had a nominal value of £0.50 when calculating the return on capital employed.

- When evaluating, candidates need to read the question carefully, to understand the exact nature of what is being asked. If the question is looking at a specific angle, then this needs to be included in the answer. In this question, part (b) was asking about an automatic share selling programme. In some answers this was totally ignored.

Question 6
This was the least popular of the section B questions and the second lowest scoring. Most candidates were able to produce the basic structure of a net present value calculation for (a) which was pleasing, but sometimes the detail was missing. The resale value at the end of year 5 was often overlooked, but the own figure rule meant consequent calculations were not penalised. In (b)(i), the majority of candidates were able to state that the net present value method took into consideration the time value of money but few were able to develop on this to attain a second mark. Similarly, a lack of development meant two marks were rarely scored in (b)(ii), concerning a disadvantage of the method. The profitability index was examined in (c) and (d) and clearly candidates are unfamiliar with this concept. The evaluation in (e) was often at level 1 and very rarely rose above a level 2 answer. Many answers compared the net present value of the two projects and selected the project with the highest, which was good. However, very few answers compared the profitability indices, probably because the candidate had not calculated this figure in (c).

Helpful hints for common problems:
- When calculating net cash flows in (a), remember that depreciation is a non-cash item and needs to   be deducted from any figure for "extra costs".
- When calculating net present value, do not forget to include year 0, the capital cost of the project.
- Candidates need to learn the formula for calculating the profitability index shown in the mark scheme. They also need to be aware that this can be used to compare projects of different investment cost/size.