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Edexcel

Examiners' Report

Principal Examiner Feedback

January 2020

Pearson Edexcel International GCSE

Accounting (4AC1)

Paper 02 Financial Statements

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Publications Code 4AC1_02_2001_ER

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Introduction

Congratulations to the centres and candidates for their achievement during this session. Paper 2 focusses on the preparation of the financial statements for the sole traders and partnerships including the manufacturing business. Students were able to demonstrate their knowledge and understanding to prepare the financial statements and evaluate the ratios and state general accounting terms and concepts.

Students performed better for the numerical questions but there are still issues regarding the structure of the responses for evaluative questions.

The centres and students are advised to practice on written questions along with numerical questions to score high marks.

Comments on specific questions

Question 1

- (a) Students were required to calculate the equity from a given set of data including other receivables and bank overdraft.

Most students scored well in this question. The most common mistake was treating bank overdraft as a current asset rather than current liability.

- (b) Students were required to prepare an extract of the statement of profit or loss showing the trading section only.

Most students scored average marks on this question with the most common mistake being not adjusting the cost of sales for the goods taken for own use and missing out the opening inventory.

- (c) Students were required to prepare an extract of the statement of financial position showing the equity section only.

Most students scored average marks on this question with the most common mistake being not including the additional equity, not including total drawings figure and showing final total without a label.

- (d) Students were required to state two factors that cause non-current assets to depreciate.

Most students scored full marks as they stated the two factors correctly.

- (e) Students were required to state two accounting concepts applied for depreciating non-current assets.

Most students stated the correct accounting concept, but few students were only able to state one concept correctly as they stated the second concept either materiality or business entity concept.

- (f) (i) Students were required to state the formula for current (working capital) ratio and Liquid (acid test) ratio.

Most students stated the formulas correctly, but few students from few centres for current (working capital) ratio stated current assets minus current liabilities rather than dividing the current assets by current liabilities as a formula.

- (ii) Students were required to evaluate the change in liquidity over two years by analysing the given set of ratios relating to the liquidity.

Most students only stated the facts regarding the two liquidity ratios provided such as the ratios decreased without stating the reasons/impact on the business due to change in the ratios over two years. For the ratios being higher or lower. Where students tried to state the reasons common mistakes were either stating that the business is unable to pay the short-term liabilities for both ratios or not relating the liquid (acid test) ratio with the liquid assets or current assets without the inventory to pay off the business debts.

Question 2

- (a) Students were required to define the terms relating to inventory used in manufacturing business such as raw materials, work in progress and finished goods.

Most students scored well in this question but few students from few centres just stated the meaning of the words such as work in progress means the work is still in going on, not finished without relating to the production process or the stating the stage of the goods are in.

- (b) Students were required to prepare the manufacturing account from a given set of data including carriage inwards, inventory relating to the raw materials, work in progress and finished goods and expenses with adjustments for accruals and prepayments and splitting the expenses between factory and office.

Most students scored well on this question. Main mistakes were either not including the carriage inwards with the purchases of the raw materials or recording the expenses in the wrong sections such as direct wages (production wages) in the factory overheads or supervisor wages in prime cost section.

(c) Students were required to state the section of the statement of the financial position for each of the items by a tick in the table provided.

Most students scored well on this question with most common error being the provision for irrecoverable debts shown in the current liabilities rather than the current assets.

(d) Students were required to evaluate the need for a business to account for the other receivables and other payables.

Most students did not score well in this question as the majority just stated what the other receivables and other payables were rather than the need to account for these by showing the impact on the financial statements and relating these to an application of the accounting concept.

Points for future sessions

- For preparation of financial statements, all the figures must be presented with a label/narrative using the new terminology.
- All workings must be cross referenced and shown with the labels/narratives.
- When responding to discuss and evaluative questions, read the question carefully to understand the requirement of the question and must form a decision/conclusion at the end to sum up and support the findings.

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