

Examiners' Report/  
Principal Examiner Feedback

October 2016

Pearson Edexcel International  
Advanced Level in Accounting  
(WAC11)  
Paper 01 The Accounting System and  
Costing

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## General comments

The standard of student's responses was in line with previous series. Students generally prepared the accounts and calculations required accurately and in good format. In relation to the evaluations these were generally in need of further development and all too often students did not arrive at a reasoned decision.

For students to improve future grades, centres should consider strategies to improve the three key areas below. Projecting future income, expenditure and profit is part of the new Specification. Students seem to struggle with this and centre reinforcement of the topic would improve student's marks and grades.

Students still demonstrate difficulty applying double entry principles. On this paper, the point was most notably demonstrated in the provision for depreciation in Question 6. The recording over the three years was as straight forward as students will be required to do at this level. However, many students were unable to complete the task correctly. Continued emphasis is required on this topic and centres are referred to approaches contained in the Getting Ready To Teach IAL Accounting available on the website, which contains a detailed scheme of work.

## Key actions for improvement

- Projecting future income and expenditures from given scenarios.
- Preparation of double entry ledger accounts.
- Ensuring that evaluations consider financial and non-financial aspects and that the student arrives at a decision based upon their reasoning.

## Specific comments

### Question 1

Both the income statement and statement of financial position, which formed parts Q1(a) and Q1(b) of the Question, were generally answered accurately and in good format. The projections of future income and costs were often incorrect and regularly no overall projected profit was stated. In particular, the impact on revenue was generally incorrectly calculated as was the depreciation charge and cost of hiring two new aircraft. Without the support of reasonably accurate financial projections, evaluation of the businesses position generally lacked a balanced chain of reasoning.

## Common errors

- Projected calculations for the purchase or hire of the replacement aircraft. In particular, the additional revenue gained was often incorrect.
- The evaluation of which proposal to pursue.

## Question 2

The trial balance was prepared with substantial accuracy, totals balanced and a suspense balance inserted. The journals and suspense account in part Q2(b) were substantially accurate. In part Q2(c) students could identify three types of errors which would not be revealed by the trial balance, but many students did not extend their answers to an explanation of those errors. The trade receivables control account was generally prepared well, with many correct answers.

The evaluation of the need for an allowance for doubtful debts was limited and often without a decision/recommendation being made.

### Common errors

- Explanation of types of errors not revealed by the trial balance.
- Evaluation of need for an allowance for doubtful debts.

## Question 3

The calculation of the four ratios was generally accurate, the most common error being the omission of the bank loan from the capital employed. Students could then generally explain possible differences from the industry average. Students were aware of a range of non-financial factors to consider when purchasing a business.

Only a few students were aware of the definition of goodwill. Very few students could calculate goodwill.

### Common errors

- Definition of goodwill.
- Calculation of goodwill.

## Question 4

Students were generally aware of differences between receipts and payments and income and expenditure. Both subscriptions accounts were generally well prepared and substantially accurate.

The calculation of the accumulated fund was often incorrect with the subscriptions in arrears and advance reversed and the life membership recorded as an asset. The statement of financial position was generally substantially accurate and in good format. The evaluation was generally thorough, well balanced and involving a conclusion/decision.

### Common error

- Calculation of accumulated fund.

## Question 5

Most students could explain variable and fixed costs. Some students did state that variable costs vary with output without stating that this must be a direct or proportional increase. Students could generally identify examples of both costs in relation to a mobile phone.

In part Q5(c) of the question students generally calculated the variable cost accurately and reached a total cost which included both variable and fixed cost. The calculation of the fixed cost including depreciation and rental was generally inaccurate and unreasonable. Often the monthly depreciation was greater than the initial cost of the asset.

The evaluation was generally limited with students not highlighting the issues relating to overhead apportionment.

### Common errors

- Calculation of monthly fixed cost including depreciation on an asset.
- Evaluation of issues relating to overhead apportionment.

## Question 6

In part Q6(a) students were fully aware of the distinction between capital expenditure and revenue expenditure. In part Q6(b) students extended their explanation of how capital expenditure would be treated in the statement of financial position. Commonly, students did not include the treatment in the income statement.

In part Q6(d) students generally accurately calculated the difference in depreciation required if the method of depreciation was changed. The depreciation required for the current year was often accurately calculated.

In part Q6(e), student's responses to the provision for depreciation account varied greatly depending upon the student's double entry ability. Some responses were complete and correct, but others were poorly presented, inaccurate and often reversed.

The evaluation of the arguments for both methods were well presented and argued.

### Common errors

- Preparation of provision for depreciation account.

## Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>