



Pearson
Edexcel

Examiners' Report
Principal Examiner Feedback

October 2018

Pearson Edexcel IAL
In Accounting (WAC12)
Paper 02 Corporate and Management Accounting

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

October 2018

Publications Code WAC12_01_1810_ER

All the material in this publication is copyright

© Pearson Education Ltd 2018

General

The overall standard of student responses for this paper was fairly good. Students were able to achieve marks reasonably well in both familiar questions and in new challenges where a different approach was required. However, the levels mark scheme is still proving tricky for some students.

Specific Comments

Question 1

This compulsory question saw reasonably good marks. The first item Q1(a), was very disappointing as many students proceeded to use the value of assets and liabilities to calculate the purchase price. This was not really possible, and the information required was given in the opening half page paragraph. The only figure required from the statement of financial position of Roseberry was the ordinary shares figure. Section Q1(b) was not found easy, as many adjustments were wrong or incomplete, and assets and liabilities not part of the takeover were included in the calculation of goodwill. The Acquisition account was either handled very well, or very badly. Both possibilities were allowed – either as a control account or the double entry for the asset and liability accounts, which is a mirror image. The statement of financial position of Tittan after the purchase of Roseberry require for part Q1(d) was done well, especially where only a straight addition was required. As usual, the difficult figures were for cash and cash equivalents, ordinary shares and share premium. Answers to Q1(e), evaluating the takeover, ranged from poor to very good, with most answers including some correct references.

Common errors were:

- In Q1(a) using values of assets and liabilities to calculate the purchase price of Roseberry plc
- Including in the goodwill calculation in Q1(b), assets and liabilities not taken over by Tittan plc
- Making entries in the Acquisition account in Q1(c), for assets and liabilities of Tittan plc.

Question 2

The second compulsory question saw marks that were reasonable, but not as good as usual on this topic. Part Q2(a) involved calculations for labour that were often not straightforward and were found tricky by some students. Similarly, the calculations for material in Q2(b) were often found difficult by some students.

In Q2(a)(v) and Q2(b)(v) students could have found the total labour or total material cost variance in two ways – either by comparing total actual cost with total budgeted cost or, adding the two sub-variances together. It was disappointing to see students embark on a whole new calculation which did not arrive at the correct answer. Answers to Q2(c) were often correct, sometimes benefitting from the own figure rule. The evaluation in

Q2(d) was often struggling to rise above level 2, as very often students were adding very little to the calculations of Q2(a), Q2(b) and Q2(c). The detail was often missing in the causes of the variances, and recommendations for improvements were rarely addressed.

Common errors were:

- Mixing up an adverse variance with a favourable variance in Q2(a) and Q2(b)
- Failing to state whether the variance was adverse or favourable in Q2(a) and Q2(b), merely giving a figure
- Failure to learn the formulas required to calculate variances. Without knowledge of the formulas, the student will struggle as these cannot be guessed.

Question 3

This was the third most popular of the four optional questions. The mean mark for this question was marginally the lowest of the four optional questions. Generally in Q3(a), students performed better on the calculation parts than on the explanation parts. Knowledge of terms such as “secured” and “irredeemable” was often weak. Students managed to pick up marks in Q3(b) for some correct entries, but very few were awarded maximum marks. It was disappointing to see so many students not balancing off correctly at this level.

The final figure to insert on the Depreciation account was the depreciation for the year to debited in the statement of comprehensive income, and this was usually incorrect or omitted. Answers to Q3(c) were able to awarded a few marks, but not many students managed to reach level 3.

Common errors were:

- Not stating that the bank balance was an overdraft in Q3(a)(ii)
- Failing to state that the £165 000 in Q3(a)(vi) was a profit
- Not giving enough detail in Q3(a)(vii), just stating “Current assets”
- In Q3(b)(i), omitting the Revaluation reserve entry.

Question 4

This was the least popular of the optional questions and the second lowest awarded. The cash budget in Q4(a)(ii) required a number of calculations and many students struggled. Whilst the figure was usually correct, it was often entered in the wrong month. Some students became confused between the amount paid in the month with the figure still outstanding at the end of the month. The trade payables budget was also found difficult by many students, especially if they were trying to base an answer on an incomplete response to the cash budget in Q4(a)(ii). The discount in Q4(c) did not really require any previous budget to be completed successfully, but was still found challenging by many. Part Q4(c) was answered quite well, with most students able to put forward an argument for and against paying suppliers in the same month. It was pleasing to see that most answers included a final conclusion or decision.

Common errors were:

- In Q4(a)(i) just calculating the amount of purchases for every month at £36 400 and not preparing a Purchases Budget
- Entering a payment in the wrong month for Q4(a)(ii)
- Failing to arrive at £20 020 per month in order to start the discount calculation.

Question 5

This was the second most popular question of the optional questions and was the second highest awarded. Calculating break-even point in part Q5(a) was generally answered well, with students awarded high marks. Part Q5(b) presented a new angle on a familiar topic, but it was very pleasing to see how well many students coped with it. A large number were able to correctly calculate the contribution and have a selling price 38 pence higher than the labour cost. The final part of the question produced answers that were often quite weak. It is worthwhile for centres to teach their students an outline of the role of an auditor, including the benefits and disadvantages.

Common errors were:

- Errors in the calculation of the fixed costs total in Q5(a)
- In Q5(b), not adding the target profit to the fixed costs when calculating the required contribution
- Lack of knowledge of the role of the auditor.

Question 6

This question was the most popular of the optional questions and the highest awarded. Part Q6(a) was often completed well, and it was good to see that most students included units in their answers. The earnings per share in Q6(b)(i) was probably found to be the most difficult calculation and many did not arrive at the correct answer of 15 pence per share. The own figure rule allowed students to be awarded reasonably well on the remaining section of Q6(b). Nearly all students were able to provide a reasonable answer for part Q6(c). However, weaker answers merely quoted figures previously calculated. Stronger answers explained the meaning of the ratio and the relevance to the choice of investment.

Common errors were:

- When calculating the earnings per share, using a formula that used net profit before interest and tax instead of after interest and tax
- Also in Q6(b)(i), failing to account for, or wrongly calculating, the interest on the debenture.

Summary

The general points listed here should be addressed by students to improve performance.

- In question 1(a), some students read the question then used information further forward in the question to calculate the answer. Students should be aware that the format of all questions is to give the information required first and then ask the question. Students should have looked back to calculate the value of cash and shares received by shareholders in Roseberry plc, not look forward to calculate asset and liability values taken over.
- Students are advised to ensure they are familiar with, and have learnt, formulas that are applicable to the A2 exam. This may include some formulas used at AS level. There may be occasions where students are asked to give the formula used. Alternatively, there may be times when the formula is not required. However, some students may benefit from writing down the formula, checking whether it appears correct, then substituting figures into the formula.
- The levels based mark scheme will require students to adopt a different approach to the evaluation section of each question, especially in Section A. Previously, students could list a number of bullet points, often just one sentence, and still be awarded very well. Students are now advised to try to develop the point being made to a greater depth where possible. This will allow access to the higher levels on the mark scheme. For example, at level 2, "chains of reasoning are present but may be incomplete or invalid".

To move to level 3 requires "developed chains of reasoning, showing causes and/or effects". Centres are advised to carefully study the requirements of the higher levels, and try to guide students to answer in a style that reflects these levels. It is also important that students give a final decision or recommendation in order to be awarded one of the higher levels.