



Examiners' Report

Principal Examiner Feedback

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Pearson Edexcel International Advanced  
Level in Accounting (WAC12)  
Paper 02 Corporate and Management  
Accounting

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## Introduction

The overall standard of candidate responses for this paper was a fairly good. As usual, candidates did well in certain topics, where they felt comfortable, but struggled in other areas. The levels mark scheme is still proving difficult for some candidates.

## Question 1

This was a compulsory question, and scores were very good. The majority of candidates in (a) were able to correctly allocate expense items to the right category eg Distribution costs. It was good to see that there were only a few errors when taking account of additional information items. Most candidates were able to correctly allow for accruals, prepayments, apportionments and depreciation calculations. Part (b) allowed candidates to discuss the use of ICT in accounting but few answers reached level 3. Generally responses were lacking in depth and were generic, often not specifically relating to accounting. However, most answers did consider both sides of the evaluation and had a conclusion.

Common errors were:

- Giving the answer in the form of a “traditional” profit and loss statement rather than an International Accounting Standard (IAS)1 Revised format.
- Not using correct terminology eg stock not inventory, cost of goods sold not cost of sales, net profit instead of profit on ordinary activities after tax.
- Failing to apply the use of ICT to accounting, merely addressing general advantages and disadvantages of ICT.

## Question 2

This was a compulsory question which saw reasonable scores. Candidates were required to show a range of skills and some skills were displayed to a better extent than others. The best skill on display was calculation as many responses showed a correct answer for break-even point in (a) and profit in (c). As always, not all candidates were able to correctly perform the margin of safety calculations in (b). Advantages and disadvantages of break-even analysis, in (d) and (e) respectively, were often vague and lacking in depth. The break-even graph continues to be a major challenge to many candidates and overall, efforts in (f) were generally weak. A difficult question in (g), concerning explaining the angle of incidence scored poorly. Candidates were often able to get back on track in (h), evaluating the two possible sites, and usually coming to the correct conclusion, basing their choice on profit.

Common errors were:

- Omitting the patent of £1.45 per unit, that was in the stem of the question rather than the information concerning the two sites. This affected all answers to (a) and (b) but the own figure rule applied, thus reducing the marks lost.
- Using the wrong formula to calculate the margin of safety in sales units and as a percentage of sales.
- For the graph, labelling of axes was inaccurate, continuing costs and revenue lines past 180 000 units, erroneous labelling of the margin of safety.

## Question 3

This was the second most popular question in section B, and scores were reasonable. Candidates were usually able to perform the required calculations to arrive at correct figures for the profit and loss statement in (a). However, the layout did not usually follow the marginal costing format with figures inserted at random, with no distinction being shown between variable and fixed costs. Answers to (b) were often appropriate, although there was often little development to the non-financial factors. Those candidates who knew the marginal costing theory were able to give a good answer to (c) although many were weak. A number became confused, wrongly thinking Merillion plc would be selling for £15. The profit and loss

statement in marginal costing saw candidates attain some marks in (d) for calculations although the format was weak.

Common errors were:

- Failing to show the variable cost of sales or the contribution in the marginal costing profit and loss statement in (a).
- Including financial factors in (b) despite the question stating the factors should be non-financial.
- Stating existing suppliers would be upset if the foreign offer was accepted, despite the fact that the company made the exhausts themselves. (This could have been qualified by stating the existing suppliers were supplying raw materials to make the exhausts).
- In (d), failing to show the variable cost of sales and contribution in a profit and loss statement drawn up using marginal costing.

#### Question 4

This was the least popular question in section B and scored the lowest marks in this section. Attempts to draw up the cash flows from Investing Activities and Financing Activities picked up some reasonable marks in (a). However there were very few totally correct answers to (a)(i) and (ii). Omission of items appeared to be the biggest problem rather than inaccurate calculations. The reconciliation of cash and cash equivalents was not answered well, with many being confused by the overdraft. Answers to (b) were rarely correct although the own figure rule mitigated some answers. In (c), answers were generally disappointing, despite the question being straightforward.

Common errors were:

- Omitting items such as Payments to acquire shares in other companies in (a)(i) or Repayment of mortgage in (a)(ii).
- In (a)(iii), thinking that cash and cash equivalents only referred to cash figures and therefore bank figures were ignored.
- Candidates failed to use the decrease in cash and cash equivalents as the starting point for an evaluation of the performance concerning liquidity for the company. A good answer would explain why this decrease had taken place.

#### Question 5

This was the second least popular question in section B and scores were reasonable. Most candidates were able to correctly calculate the budgeted figures requested in (a). Those who knew how to calculate material variances scored well in (b) but there were many whose knowledge here was weak. As a result these candidates scored poorly. Most candidates were able to pick up some marks from attempts to complete the reconciliation statement in (c), often benefitting from the own figure rule. Evaluations were scored to be at level 2, often being a repetition of figures calculated or given, expressed in words.

Common errors were:

- The correct formula in (b) was not used or applied to calculate variances.
- Overheads were omitted from the reconciliation statement in (c).
- In (d), failing to notice and comment on, the fact that the budget production target was not achieved.

#### Question 6

This question was the most popular in section B and the marks achieved were good, the highest in this section. The question discriminated well between those who knew all or most of the formulas to calculate accounting ratios and those who knew a few or none. Where formulas had been learnt for part (a) of the question, scores were good. Those who did not know the formulas found it difficult to score more than a few

marks. The evaluation question in (b) was found quite tricky, although many candidates did suggest a number of alternative ratios that could be used to judge the success of a company.

Common errors were:

- Using the wrong formulas in (a) to calculate accounting ratios.
- In (b) failing to see both sides of the argument. Most answers stated high dividends and therefore dividend yield, meant a successful company, which is often true. Very few answers discussed the dividend policy of the company. If this is generous, the dividend yield will be high, especially if the market price of the shares is low. If the share price is low, the company is probably not successful.

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

- Formulas need to be learnt exactly, in order that candidates are able to provide accurate responses. Some examples of formulas are those used in answers for variances, accounting ratios and break-even calculations. These formulas, if learnt correctly, will form the basis of the answer. Writing the formula down may allow the candidate to see more clearly the calculation that needs to be attempted. If the formula is shown, candidates may be able to obtain a benefit from the own figure rule as well.
- When answering the evaluation section of a question, candidates should try to give an answer that is more than just expressing in words, figures that have previously been calculated. Depending on the question asked, the answer maybe should try to state whether the figures are good or bad, high or low, or better or worse than expected. The candidate should try to explain what has caused the figures to be what they are. The answer could go on to state what the possible effects of these figures may be. The answer may require the candidate to explain what the company could do to reduce the effects of these figures or avoid the figures occurring. These aspects, if included in the answer, are likely to take the candidate into the higher levels of the mark scheme.