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Examiners' Report Principal Examiner Feedback

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Pearson Edexcel International Advanced Level
In Accounting (WAC12)
Paper 2: Corporate and Management Accounting

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Introduction:

The overall standard of student responses for this paper was a fairly good. As usual, students did well on particular topics, which they knew well, but struggled in questions where topic knowledge was weak. Many students are still finding the levels mark scheme challenging and moving into the higher levels is often difficult to achieve.

Question 1:

This was a compulsory question, and scores were average. In (a) students used a variety of methods to find the value of Tyche Insurance plc after revaluations. Answers for (d) were generally correct but failed to give any expansion, so only scored one mark of the two available. Answers to (f) were reasonably good, as students followed the layout of the statement of financial position of Apollo plc at 1 May 2020. However, many forgot to include goodwill in the statement. Those that did include goodwill usually stated the correct figure. Many students omitted the share premium from the equity section of the statement. Weaker students added the two equity sections of Tyche and Apollo together. Answers to (g) were usually quite weak, with students only comparing the financial value of the two offers. Stronger students explored future dividends, capital growth, inflation, economies of scale etc. Weaker students stated the offers were to Tyche itself, the company, and ignored the role of the shareholders.

Common errors:

- In (a), using only the value of assets to find the value of Tyche Insurance plc, omitting to deduct the value of liabilities.
- Overlooking the fact that the shares were valued at £0.80 each, not £1.00 when calculating the value of the offer in (b).
- Deducting the value of the offer, from the value of Tyche Insurance plc, to arrive at a negative figure for goodwill in (d).
- Many students used the £2.58 premium as the value of the shares offered in (e), omitting the nominal value of £1, which should have given the shares a value of £3.58 each.

Question 2:

Students performed very well on this compulsory question, making it the highest scoring question on the paper in real and percentage terms. Calculating the volume of gas for each field in (a) presented no problems. Completing the fixed costs table in (b) was also answered very well. Most students were able to successfully arrive at the profit or loss for each field for (c). Calculating the contribution per therm in (d) proved a little bit harder, but many students gave correct answers. Part (e) was found to be the most difficult part of the question. Many answers merely repeated figures calculated in (c) or (d) to conclude a field should “stay open” or “close”. Only the best responses were able to distinguish between the short-term decision and the long-term decision.

Common errors:

- In (e), failing to mention, or calculate, the effect of the government payment of £2.00 per therm on the decision to be made concerning the future of each field.
- Also, in (e), failing to take into account the possible redistribution of head office costs should any field be closed down.

Question 3:

This was the second most popular of the optional questions but was the lowest scoring question on the paper. Answers to (a)(ii) often omitted to state that “other receivables” excluded trade customers. It was disappointing to see that answers to (a)(iii) were often incorrect, some even giving a minus cash balance. Scores for (a)(iv) were good, as were scores for (a)(v). Many students could give an example of how the general reserve could be used in (a)(vi). Once again, working with minus figures confused some students with many struggling to arrive at the correct loss in (a)(vii). Part (b) saw poor scores, despite these accounts being on the AS syllabus. Many students omitted part (b) altogether. Answers to (c) were generally good, with students discussing interest rates, interest payments, the length of the borrowing, and the possible effect on cash flow.

Common errors:

- Answers to (a)(i) often gave group headings such as “current assets” rather than a line item such as “inventory”. Where both were given a mark was awarded.
- Not giving dates for the ledger entries in (b) despite the fact that they were given in the information supplied.
- A failure to make correct entries in (b), even where the figure was given. For example, the sale of the property that cost £3 000 000

Question 4:

This was the least popular question in section B and the second lowest scoring question. Some students struggled to fully comprehend the scenario, which had not been used previously. Most answers to (a)(i) were correct, as were answers to (a)(ii). Parts (b)(i) and (ii) were handled reasonably well. Students often got (c)(i) right and (c)(ii) was answered very well, usually being correct. Section (c)(iii) was often found to be tricky. Only strong students were able to handle calculating the variances in (d). Often the formula was stated correctly, but the figures used were erroneous. Marks could still be gained in (d)(iii) by adding answers to (d)(i) and (ii) benefitting from the own figure rule. Part (e) was only really attempted by students who had made a reasonably successful effort for part (d). Scores for part (e) were usually good, as these were the most able students who had made it through to the end of the question.

Common errors:

- Failing to multiply the number of check-out tills by the hours open in (a), simply just adding the "Hours open" column.
- It was good to see that many students had learnt the formulas correctly for use in (d), but often they were unable to substitute figures into the formula.
- Not indicating whether variances calculated were adverse or favourable.

Question 5:

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 answered quite well as most students stated increasing profits was a good way of increasing earnings per share (EPS). Many answers included increasing revenues and decreasing costs to increase profits. Stronger responses covered decreasing taxation payable and redeeming shares. Weaker students suggested issuing more shares.

Common errors:

- Not knowing the correct formulas to calculate ratios in (a).
- Incorrect use of the shares having a nominal value of £1.50 meant students used 24 000 000 as the number of shares in calculations, instead of 16 000 000.
- Errors and omissions in calculating the numerator (top) and denominator (bottom) when calculating the return on capital employed for (a)(vi).

Question 6:

This was the third most popular question in section B and the second highest scoring question in this section. Most students were able to score reasonably well in (a) showing costs, revenues and net profit.

Those that did not include refurbishment as a capital cost did not arrive at the correct figure for depreciation. Answers to (b) were often good, sometimes benefitting from the own figure rule. Payback calculations in (c) were often confused, especially when attempting the final three marks, the payback period itself. Generally, answers to (d) were sound, with students being able to relate earlier calculations to sensible advice or decision-making for the company.

Common errors:

- Despite accurately calculating the revenue from refreshments in (a) many students failed to successfully enter the correct figure for the cost of refreshments.
- Some students divided the annual net profit (£134 016) by the number of years (5) when calculating the accounting rate of return.
- The annual cash flows were often accurate in (c) but some students stated the payback period was 2 years and 11.6 months instead of 1 year and 11.6 months.

Paper Summary:

Centres may wish to consider the following key points to ensure that their students are best equipped to succeed in future examinations.

Key points for centres to consider:

- Formulas need to be learnt exactly, in order that students are able to provide accurate responses. These formulas, if learnt correctly, will form the basis of the answer. Formulas were required for answers for variances, accounting ratios and project appraisal calculations. Writing the formula down may allow the student to see more clearly the calculation that needs to be attempted. If the formula is shown, students may be able to obtain a benefit from the own figure rule as well.
- Students must ensure they are familiar with basics learnt for AS. For example, question 3, required knowledge of ledger accounts for “Disposal of Property, Plant and Equipment (PPE)” and “PPE Accumulated Depreciation”. Students can still expect to be tested on their knowledge of ledger accounts at A2.

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