



Examiners' Report
Principal Examiner Feedback

Summer 2019

Pearson Edexcel International
GCSE Accounting (4AC1) Paper 02

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General comments

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 related accounting terms and concepts.

Students performed better for the numerical questions but there are issues regarding the structure of the responses for discursive questions such as explain and 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 prepare the income statement for a sole trader from a given set of data including the adjustments relating to the accruals, prepayments, allowance for doubtful debts, depreciation and disposal. The majority of students scored well in this question with the most common error being the carriage inwards and goods for own use not shown correctly in the cost of sales, not adjusting the allowance for doubtful debts as either the opening balance was shown or the closing balance was shown, few students also struggled with the loss on disposal calculation and depreciation calculations especially for the fixtures and furniture due to the disposal during the year. Students are advised to use the new terminology for figures in the income statements.
- (b) Students were required to prepare the statement of financial position extract showing the non-current section only. The majority of students scored well in this question with the most common error being not adjusting the cost of the non-current assets due to the disposal and purchase during the year.

Question 2

- (a) Students were required to state the name of the accounting concept applied for each scenario provided. The majority of students stated the correct accounting concept for each scenario, but few students struggled to state the accounting concept for creating a provision for irrecoverable debts.
- (b) Students were required to define the two terms, profitability and liquidity. The majority of students struggled to define these terms as they either stated the profitability means the profit of the business without any link to the ability to generate the profit and liquidity means the cash available in business without any reference to the ability of the business to pay the debts.
- (c) Students were required to evaluate the performance of the business over two years by analysing the given set of ratios relating to the profitability and liquidity.
- (d) The majority of students only stated the facts regarding the ratios such as the ratios increased or decreased and better or worse without stating the reasons for the ratios being higher or lower. Where students made an effort to state the reasons common mistakes were either not relating the two ratios together such as gross profit margin and profit for the year as a percentage of revenue to work out the reason or the change in the profit for the year as a percentage revenue ratio or not relating the quick ratio with the liquid assets or current assets without the inventory to pay off the business debts.
- (e) Students were required to identify whether the provided statements were true or false in the absence of a partnership agreement. The majority of students were well prepared for this type of the question and scored well in this question.
- (f) Students were required to discuss the need for a partnership to prepare different accounts from those prepared by a sole trader. The majority of students were able to explain the need for preparing different accounts by comparing the number of the people involved in the sole trader and partnership business and stated the name of the different accounts such as appropriation and current accounts. Well prepared candidates explained the reasons and the items recorded in these two accounts along with the way the financial statements are presented.

- (g) Students were required to evaluate whether a sole trader should form a partnership.

The majority of students were able to form the decision/conclude whether the sole trader should form the partnership or not by comparing the advantages and disadvantages of both forms of the organisation. The common mistakes were not providing the comparative statement of the two forms of the organisations to relate the same advantage of one form of organisation with the disadvantages of the other form the organisation.

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 questions which require written response students should ensure that they have read the scenario and always provide evidence to support any points made.
- 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.