



Examiners' Report
Principal Examiner Feedback

November 2020

Pearson Edexcel International GCSE
In Accounting (4AC1)
Paper 2: Financial Statements

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General comments

Congratulations to the centres and students for their achievement during this session despite unfavourable circumstances due to the pandemic. Paper 2 is holistic in nature, builds on knowledge, understanding and skills covered in paper 1 but focusses on the preparation of the financial statements for a sole trader and a partnership including manufacturing business.

Students performed better for the numerical questions such as appropriation account, current account, statement of financial position in question 1 and manufacturing account along with income statement in question 2.

The centres and students are advised to practice on especially evaluative questions along with numerical questions to score high marks.

Comments on specific questions

Question 1

- (a) Students were required to prepare the appropriation account for the partnership with two partners.

Most students scored well in this question. The most common mistakes were either including the drawings or adding the interest on capital. Some students ignored profit for the year for the final appropriation. It is important to show the name of partners for each individual figure and a heading to show what those figures represent such as interest on capital or profit share etc.

- (b) Students were required to prepare the current account for a partner by balancing the account and bringing the balance down.

Most students prepared the current account to a reasonable standard, but main mistakes were either missed the opening debit balance provided or recorded it on the credit side or used abbreviations for labels.

- (c) Students were required to prepare the statement of financial position for a partnership with the headings provided in the format required for a statement of financial position of a partnership.

Most students were able to complete the assets section correctly but did struggle on the equity section as either the labels for the capital and current accounts were missing or they struggled with the current account balances despite the fact one partner's current account balance was provided and other partner's current account balance was calculated in the previous question. Many students included the drawings, profit share etc in the equity section which indicates lack of understanding of the difference between a sole trader and partnership accounts.

Question 2

- (a) Students were required to prepare the manufacturing account from the given set of data starting with the prime cost which was already provided.

Most students scored well in this question but few students either included the office expenses or deducted the expenses hence getting the negative cost of production. Minority of the students started this as an income statement starting with revenue and deducted all the expenses.

- (b) Students were required to prepare the income statement by using the cost of the production from the previous question along with the given set of data provided.

Most students scored well in this question but few students either missed the cost of production or included the inventories of the finished goods other way around or missed the label for the gross profit figure and profit for the year figure or used the old terminology such as a net profit.

- (c) Students were required to explain the need for adjusting the payment in advance by referring to an appropriate accounting concept.

Most students struggle to relate it to the accruals/matching concept as their responses either stated this as an application of prudence concept or where they identified the correct concept, they were unable to develop it correctly.

- (d) (i) Students were required to evaluate the change in liquidity after analysing the Current (working capital) and Liquid (acid test) ratios provided for the two years.

Most students were able to analyse that there will be a problem for paying the current/short-term liabilities but did not develop it either by relating to the liquid assets or less liquid asset such as inventory. Few students stated the change in liabilities and assets without relating these to the current/short-term.

- (ii) Most of the students stated it correctly that the owner was incorrect in believing that the liquidity of the business has improved.

- (iii) Students were required to explain one way to improve the liquidity.

Most students struggled to answer this question as they were not focusing on the elements of the liquidity ratios as their responses were either to pay trade payables or raise money by bank overdraft etc.

Points for future sessions

- For preparation of financial statements, all the figures must be presented with a label/narrative using the new terminology. No abbreviation should be used in ledger accounts or financial statements.
- All workings must be cross referenced and shown with the labels/narratives.
- When responding to explain 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 the findings.

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