



Examiners' Report
Principal Examiner Feedback

November 2020

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

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

November 2020

Publications Code 4AC1_02R_2011_ER

All the material in this publication is copyright

© Pearson Education Ltd 2020

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 income statement in question 1, appropriation account and current account 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 income statement with the adjustments from the given set of data.

Most students scored average marks in this question as they dealt the straightforward adjustments relating to office expenses and wages correctly. The most common mistakes were either the opening and closing inventories were recorded other way around or did not account for disposal at all hence missed the marks for profit on disposal and calculated the depreciation charge for the year incorrectly or where the students treated the adjustments of the office expenses and wages incorrectly they did not show any workings hence lost both marks or included the drawings in the expenses hence missed out the subtotal mark 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. Only handful of students were able to calculate the allowance for doubtful debts adjustment correctly.

- (b) Students were required to evaluate whether a sole trader should form a partnership after discussing the points in favour and against forming a partnership compared to being a sole trader.

Most students scored average marks in this question as they either stated the points in favour or against before making the final decision.

Question 2

- (a) Students were required to prepare the appropriation account from the given set of data.

Most students scored full marks in this question. The most common mistakes were either including the drawings or deducting the interest on drawings rather than adding it or adding the interest in 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 drawings, interest on capital or profit share etc.

- (b) (i) 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 were mistakes either missed the opening debit balance provided or recorded it on the credit side or missed the interest on drawings or used abbreviations for labels.

- (ii) Students were required to state one reason for a debit balance on a partner's current account.

Most students struggle to answer this part as they either stated what a debit balance represents or just stated that a partner may have taken drawings without relating these to the entitlement of a partner during the year.

- (c) Students were required to evaluate the change in profitability of a business after analysing the gross profit percentage, profit for the year as a percentage of revenue and return on capital employed ratios provided for the two years and conclude whether the partners were correct in believing that the business had a successful year.

Most students were able to analyse that there is better management of expenses and capital is not utilised efficiently but were unable to analyse the gross profit percentage ratio accurately and commented correctly on partner's belief.

(d) Students were required to indicate with a tick the effect on working capital of the transactions provided.

Most students were able to identify the effect correctly, but few students found the purchase of inventory on credit and sale of inventory for cash challenging.

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.

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London, WC2R 0RL, United Kingdom