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Edexcel

Examiners' Report  
Principal Examiner Feedback

Summer 2022

Pearson Edexcel International GCSE  
In Accounting (4AC1)  
Paper 02R Financial statements

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## **General**

Given the continued difficulties caused worldwide by the pandemic, centres are to be congratulated on their preparation of students for the June 2022 IGCSE accounting examination. Well prepared students were able to again demonstrate good knowledge and understanding of the preparation of financial statements.

There continues to be issues around the processing of accruals and prepayments, particularly when they relate to the opening period. This can only be due to a lack of basic double entry knowledge which is essential.

Questions requiring a discursive response did show some signs of improvement, but students need to be aware of the significance of these questions if they are to access higher grades. Centres are advised to concentrate on this when preparing students for examination and should stress that development of points identified, and conclusions should always be present.

## **Reports on individual questions**

### **Question 1**

The question focussed on manufacturing accounts.

(a)(i) Having been presented with a manufacturing account containing errors, candidates were required to prepare a corrected manufacturing account. Well-prepared candidates were able to gain good marks for this question. However, some candidates treated the statement as an income statement, commencing with revenue and deducting costs from that opening figure. Marks were still awarded for correct expense items. Candidates must remember that labels must be correctly attached to cost of raw materials consumed, prime cost and production cost. Failure to attach these labels will result in lost marks.

(a)(ii) Candidates were then required to prepare the trading section of the income statement for the business. It was pleasing to note that the majority of candidates used the correct format for the statement. Whilst well-prepared candidates were able to gain excellent marks for the task, several incorrectly included carriage outwards in the section.

(b)(i) Candidates were required to state the formula for three accounting ratios. Most candidates correctly identified the formula for the gross profit percentage and the profit for the year as a percentage of revenue. However, the return on capital employed proved too challenging for some candidates.

(b)(ii) Having been provided with data for the trader, candidates were required to evaluate whether or not she was correct in her view that she had not had a successful year. The data indicated that despite a fall in the gross profit percentage, both the profit for the year as a percentage of revenue and the return on capital employed had improved. Recognition of these facts together with possible reasons for the changes was required to gain marks. Many candidates produced excellent responses though several others lacked any development of the reasons for the changes.

## **Question 2**

The question focussed on the financial statements of a sole trader.

(a) Candidates were required to prepare an income statement having made adjustments for various opening and closing accruals and prepayments. Overall, results were rather disappointing with many candidates demonstrating a lack of basic double entry skills. Calculation of the increase in the provision for irrecoverable debts and calculation of the bank interest proved to be particularly challenging.

(b) Candidates were then required to prepare the statement of financial position. It was pleasing to note that a great many candidates presented the statement in the acceptable format and there were a number of very good statements gaining good marks.

(c)(i) Candidates were required explain why the prudence concept should be applied when writing off an irrecoverable debt. The first mark was available for explaining the prudence concept and most candidates offered a valid, if often somewhat weak, explanation of the concept. Relating the concept to writing off an irrecoverable debt was less well answered. Most responses lacked the necessary focus to be awarded more than one of the available two marks.

(c)(ii) Finally, candidates were required to explain why the accruals concept should be applied when providing depreciation of a motor vehicle. As in the previous task, the first mark was available for explaining the accruals concept. Many candidates were unable to offer a valid explanation of the concept with most discussing accruals and prepayments. Relating the concept to the provision of depreciation of a motor vehicle was also very poorly answered by most candidates who failed to recognise that the reason was to match costs incurred with the income or benefits earned in the same period.

### **Points for future sessions**

I repeat several important points from previous reports for future guidance

- Read each question carefully and provide the correct format for the financial statement required.
- When responding to questions which require prose responses students should be guided by the numbers of marks allocated and structure their responses in a logical manner.
- When asked to explain an issue, candidates should be aware that some depth and development will always be required to gain full marks.
- When dealing with evaluative questions students should always provide a conclusion which sums up and supports their findings.

### **Grade Boundaries**

Grade boundaries for this, and all other papers, can be found on the website on this link: <http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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