



Examiners' Report

Principal Examiner Feedback

Summer 2023

Pearson Edexcel International Advanced Level
In Accounting (WAC12/01)
Unit 2: Corporate and Management Accounting

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IAL Accounting – Corporate and Management Accounting

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Introduction

There was a very wide range of marks attained by students sitting this paper. The exam was a very fair test of candidates' accounting knowledge and application.

Question 1

Most candidates applied the correct layout format. Many achieved high scores, although some struggled with the detail of the statement. Many answers failed to notice that the interest on the bank loan and the debenture would be calculated for only half a year on each. It was pleasing to see most answers arrived at the correct figure for depreciation. Less able candidates just took the difference between the two years, and ignored the depreciation on the asset sold. It was also good to see that more able candidates had no problems with the loss on the sale of asset calculation. It was disappointing to see that less able candidates could not clearly distinguish between inflows and outflows of cash, which required the correct use of brackets for outflows. The financial statement required a lengthy answer in a strictly prescribed format so it was good to see that nearly all items were placed in the correct section of the statement.

The evaluation in (b) was usually of a level 2 or level 3 standard. Weaker answers often just repeated in words, the figures that had been calculated in (a). Candidates benefitted from the own figure rule in this section when interpreting the statement produced in (a). The nature of the question meant that application in this section was always present. Stronger answers were able to include fresh calculations that had been undertaken by the candidate eg current ratio or liquid (acid test) ratio. Weaker answers often just repeated in words, the figures that had been calculated in (a).

Helpful hints for common problems:

- Candidates must start by working to, or with, a figure for "Profit from operations". This will mean adding interest on bank loans and debentures etc back onto "Profit after interest before tax". This was allowed as a working or on the face of the statement. Many candidates did not add back the interest on the bank loans or debentures, just starting with "Profit after interest before tax".
- Candidates need to ensure they correctly complete the statement of cash flows. The first line to end the statement, "Net increase in cash and cash equivalents" must use the correct terminology and this must agree with the figure stated. ie a positive figure will be an "increase", and a negative figure a "decrease". Candidates were allowed to use 99 000 or an own figure from their own calculations. It is also necessary to include the final two lines, using the correct label eg "Cash and cash equivalents at the beginning of the year". Many candidates seem to think "Start year" is acceptable.
- It is important that candidates come to a conclusion, when evaluating, in this question, the performance of the company concerning liquidity. The own figure rule will apply to any calculations made in earlier parts of the question. In this question, it would have been acceptable to use the terms "good", "handled well" or "handled badly" or even a mixture of both when concluding the evaluation.

Question 2

Responses for parts (a) and (b)(i) and (ii) were good, with candidates often achieving full marks. Part (c) was found much trickier, with many answers being incorrect or incomplete. The number of units to be purchased was what the question was asking. The layout of the table was used to help candidates, but the unusual working backwards nature of the question meant the final line to be completed of the four lines, was line 2. However, some marks were nearly always gained by candidates. Answers to (d) were reasonable, and many benefitted from the own figure rule. Very few candidates scored full marks on (e), although nearly all obtained some marks. Purchases and closing inventory presented the most problems, even when own figures from (d) were allowed for purchases. Responses to (f) and (g) were reasonably good. However, it was disappointing to see some candidates did not refer back to their answers in (d) when completing the purchases row in (f). In answers to (h), nearly all candidates showed a knowledge of ICT and how it can be applied in accounting. Unfortunately, many were unable to apply this specifically to budgeting, which was what the question was asking.

Helpful hints for common problems:

- Candidates must read the question carefully, to ensure they understand exactly what the question is asking. The question often tries to help candidates by boldening key words, such as “each” or “one store” or “all stores”. The Statement of profit and loss in (e) was for “the four month period ending 31 December 2023”. This is one statement for the four month period. It is not asking for not four statements, one for each of the four months.
- To achieve the higher levels (ie levels 3 and/or 4) in the evaluation questions in section A, answers must ensure they specifically apply to the question being asked. This question specifically mentioned “preparation of budgets”. However, many answers merely produced a generic response, listing advantages and disadvantages of ICT in general. Responses that related to budgets were appropriately rewarded.
- Candidates should try to avoid using a list of bullet points when evaluating, especially in Section A where the opportunity exists for an in-depth response. Bullet points restrict the possibility of developing chains of reasoning and/or making an informed recommendations or decisions.

Question 3

Answers to part (a) were usually quite well done. Most candidates were able to identify and use correctly the Realisation account and the Sundry shareholders account. For part (b), answers were often very good or very weak. The weaker candidates struggled to calculate the purchase consideration figure correctly and still used the narrative of “Profit on realisation”, even when it was a loss. It was pleasing to see many answer to (c) were strong, obtaining full marks. The evaluation in (d) too often was answered from the viewpoint of one (or both) of the companies, which restricted the marks awarded. The question clearly states the answer should be from the viewpoint of a shareholder in Blu Gas plc.

Helpful hints for common problems:

- When showing Journal entries, candidates must follow a Journal layout. This must include a date, a debit and an offset credit entry, and an amount for each entry.
- The Sundry shareholders account must have a “balancing entry” which will be a Loss on realisation if on the debit side (and a Profit on realisation if on the credit side).
- Candidates could spend a little more time perhaps, carefully reading the question, in order to be sure of the “angle” of the question ie from Maria’s viewpoint.

Question 4

This question was the second most popular question and the second highest scoring question in section B.

Responses to (a) were either well answered by those who knew the topic well, or poorly answered by those whose knowledge in this area was weak. It was good to see that almost all answers referenced Favourable or Adverse. Completing the table in part (b) was usually done quite well, with candidates often benefitting from the own figure rule. Part (c) was generally poorly answered, with candidates often referencing materials or labour. Only a few answers correctly identified variable overheads such as electricity or gas etc. Most candidates, in (d), were able to correctly distinguish between figures that indicated good performance, and figures that indicated poor performance.

Helpful hints for common problems:

- It is essential to learn by memory, the exact formulas used when calculating variances. It was clear to see who had not learnt formulas and these candidates were using many figures from the question incorrectly.
- Candidates need to realise that if the actual Sales figure is smaller than the budget Sales figure, the variance is adverse. Many answers labelled the variance incorrectly as favourable.
- The question may often contain items such as “variable production overheads” or “fixed overheads”. Candidates need to learn exactly what these items are, how they are calculated, and some examples of each.

Question 5

This question was the most popular question in section B and the highest scoring.

Candidates performed well on this question, showing a good understanding of the Statement of Profit or Loss and Other Comprehensive Income. Most answers contained items in the correct section. Calculations were usually done well to arrive at the answer figure for the item. Answers to (b), the Directors’ Report were much weaker, showing little knowledge of this area of the syllabus. Centres may find it advantageous to show students an actual Directors’ Report, which may help candidates understanding and boost memory recall!

Helpful hints for common problems:

- Garage mechanics wages were often included under Cost of sales, although logic tells us they should be included under Distribution costs, where most candidates included Vehicle running costs.
- Candidates need to ensure they write the name of the expense in full. For example, omitting the term “depreciation” and instead just listing “Factory” or “Shop buildings”. These labels really could be used for any expense relating to the “Factory” or “Shop buildings”.
- Some candidates were unable to distinguish between a Directors’ Report and an Auditors’ Report. This probably indicated a knowledge of the latter, and a lack of knowledge of a Director’s Report.

Question 6

Many candidates scored well on (a), arriving at the correct figures for inventory valuation. Scores for (b) were good, with a number of candidates benefitting from the own figure rule. Responses to (c) were mixed, with only a few candidates being able to score above 12 marks out of 17. Most candidates were able to suggest reasons for using marginal and absorption costing when drawing up a statement of profit or loss. Suggestions for the disadvantages of each were not covered so well in (d).

Helpful hints for common problems:

- Candidates must realise when drawing up a statement of profit or loss in (c), that figures are required for opening inventory and closing inventory. This is especially important when the crux of the question is the differing figures for inventory using the two methods!
- Too many figures, and the appropriate wording, were omitted from (c) when drawing up a statement of profit or loss. Examples of omissions included total variable costs, contribution, total costs and even profit!
- When drawing up a statement of profit or loss in (c), candidates need to ensure the correct treatment of semi-variable costs, which need to be split. The variable element should be entered with the variable costs, and the fixed element with the fixed costs. Too many candidates entered the total of semi-variable costs as one entry of £1 270 000 in either section.

