

Examiners' Report/
Principal Examiner Feedback

Summer 2015

Pearson Edexcel International GCSE
in Accounting (4AC0) Paper 01

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

Summer 2015

Publications Code UG040715

All the material in this publication is copyright

© Pearson Education Ltd 2015

General comments

Centres are to be congratulated on their preparation of students for the June 2015 International GCSE accounting examination. Throughout the paper students were able to demonstrate their knowledge and understanding of accounting which is pleasing.

There continues to be issues around the inclusion of incorrect dates and narratives in books of original entry and ledger accounts but there is some indication that there is some improvement in this area.

The evaluation of business scenarios still proves challenging for centres and students and centres are advised to concentrate on this area when preparing students for examination.

Comments on specific questions

Section A

Questions 1 - 10

As usual the multiple choice questions provided a good indicator of student performance in the rest of the paper. It is important that students read carefully the whole question before selecting their response. This was important in Q6 where the question indicated that the trader always uses a particular method of depreciation which refers to the 'consistency concept', response B, and not the 'accrual concept', response A. Some questions did prove challenging for example the calculation of the gross profit margin in Q9 which required students to understand the difference between mark up and margin.

Section B

Question 11

- (a) Students were required to complete a three column cash book from given data. This was well done by the majority of students with the main area in need of improvement is the use of the correct date and narrative. Additionally it is important for students to understand the correct procedure for balancing off the cash book.

- (b) Students were required to make the ledger entries for the posting of cash discounts. There were some excellent responses to this but as in (a) correct narratives are still a problem for students. The correct narrative should indicate which book or account the information has been posted from, in this case the cash book.

- (c) Students were required to explain the term 'dishonoured cheque'. Generally the correct response 'that a dishonoured cheque is a cheque received by a business which the debtors bank refuses' was provided by most students. Students should have then provided a development point to gain an additional mark.

Question 12

Students were required to complete a profit and loss appropriation account for a partnership from given data. Student responses were generally good with the most common error being in the treatment of accruals and prepayments. Students should also be aware of the importance of good presentation when answering questions requiring the preparation of financial statements.

Question 13

- (a) Students were required to calculate the working capital figure from given data. The standard of responses was variable with many students scoring full marks. The most common error was treating the cash at bank figure as a current liability.
- (b) Students were required to calculate the current ratio. The most common error here was in not showing the answer in the correct format. The current ratio and the acid test ratio should be shown as a ratio, ie 1.8:1, and not as a percentage.
- (c) Students were required to calculate the acid test ratio. As in (b) students need to remember to show their response in the correct format in this case 0.97:1.
- (d) Students were required to evaluate the liquidity position of the business. Marks were awarded here where students evaluated **each** ratio and indicated some reference to the benchmark for comparison. Students should try to relate their response to the given scenario and avoid using generic responses which may not be appropriate to the given case.

Question 14

- (a) Students were required to prepare journals to correct given errors and omissions. There was some evidence that students did not read the question carefully enough and therefore provided incorrect entries. As in other questions it is important to use the correct narratives, for example, 'Rekha – Capital Account.

- (b) Students were required to complete the suspense account from their journal in (a). This also required the calculation of the opening balance. A common error was to try and balance the account and bring the balance down. A suspense account should not be balanced off after all the errors have been discovered.
- (c) Students were required to identify the effect on the businesses net profit of the correction of the errors and omissions in (a). The main area for improvement here was in the effect of the bad debt recovered which would have increased the net profit as this is providing additional income for the business.
- (d) Students were required to state how the gross profit margin and net profit margin could be improved. Simply selling more goods will not lead to an increase in gross profit. It is necessary to either increase the selling price or decrease the cost price in order to improve the gross profit margin. To improve the net profit margin it is necessary to either reduce your overheads or introduce better control of your overheads which has the same effect.
- (e) Students were required to evaluate the effect of a change in the method of valuation of closing stock would have on net profit. Marks were awarded here where students identified the prudence concept as the main driver for the valuation of stock. Students should also have been aware that any increase in closing stock valuation would have an effect not only on the profit and loss account but also have an effect on the balance sheet by overvaluing the current assets.

Question 15

Students were required to complete a table to identify whether given items of expenditure were capital expenditure or revenue expenditure and which financial statement the item would be entered. Students need to be aware that in addition to the trading and profit and loss account and the balance sheet, the manufacturing account is a financial statement and subsequently the purchase of raw materials and the maintenance charge of new plant and machinery would be shown in the manufacturing account and not the trading and profit and loss account.

Points for future sessions

- Read each question carefully, particularly the multiple choice questions where students have to make a choice of responses.
- When preparing books or original entry or ledger accounts it is important to include correct dates and narratives in order to gain the marks available.
- In the preparation of any financial statements clear presentation is important in order to allow the student to gain the marks available.
- When responding to questions which require a prose response students should ensure that they have read the scenario given and always provide evidence to support any points made.
- When dealing with evaluation questions students should always attempt to reach 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>

