Examiners' Report
Principal Examiner Feedback

Summer 2025

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

PAPER 2: 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

Summer 2025
Publications Code 4AC1_02_2506_ER

General

Several centres are again to be congratulated on their preparation of students for the June 2025 IGCSE accounting examination. Well prepared students were again able to demonstrate a good understanding of financial statements.

As will be seen from my detailed comments below, there continue to be issues in some cases around the inclusion of incorrect labels in financial statements, often the use of old terminology. However, I recognise a significant improvement in this aspect. Centres are advised to concentrate on this when preparing students for examination.

It was pleasing to note that questions requiring a discursive response did again show signs of improvement but students need to be aware of the significance of these questions if they are to access higher grades. Again, centres are advised to concentrate on this when preparing students for the examination.

Report on individual questions

Questions 1

The question focussed on the manufacturing account and income statement of a sole trader.

(a) Candidates were required to prepare the manufacturing account for the business. Well prepared candidates were able to produce a totally correct account though others were clearly unfamiliar with the structure of the account. It was pleasing to note that a majority of candidates are now familiar with the correct terminology for the account and most clearly identified and correctly labelled the cost of raw materials consumed, prime cost and finally, production cost.

(b) Preparation of the income statement was generally well answered and most did use the correct format for the statement which was pleasing. There were several totally correct responses. As was the case with the last task, it was pleasing to note that candidates are now getting used to using the new terminology, for example, revenue rather than sales and inventory rather than stock.

Question 2

The question focussed on financial statement of a sole trader and on evaluation of profitability.

(a)(i) Candidates were required to explain how the creation of a provision for irrecoverable debts is an application of the prudence concept. Whilst most candidates correctly referred to the fact that the true value of trade receivables would be shown in the statement of financial position, many failed to provide sufficient development to gain the third available mark.

(a)(ii) Required candidates to explain how the recording of goods taken by the owner is an application of the business entity concept. Many candidate responses were very vague, simply stating that the goods should be recorded as part of drawings. This unfortunately did not meet the requirements to be rewarded.

(b) Data of the balances remaining after preparation of the income statement were provided together with four adjustments that had not been taken into account. Candidates were required to calculate the revised profit for the year. Many found this task challenging with a large number making the adjustments in the wrong direction.

(c) Candidates were required to prepare the statement of financial position having taken account of the omissions calculated in the previous task. As referred to in previous examinations, several candidates lost marks as a result of the use of abbreviations and old terminology. Whilst well-prepared candidate were able to gain high marks, others appeared to have little idea of what a statement of financial position is, often just producing a list of figures or in a few cases, a trial balance.

(c) Candidates were provided with three ratios covering three financial periods – gross profit percentage, profit for the year as a percentage of revenue and return on capital employed. They were required to assess the change in profitability over the three year period. Whilst there were several comprehensive responses, some candidates offered little, if any, development to their assessment. Pleasingly however, most candidates did provide a conclusion to finish off their assessment.

Points for future sessions

I shall once again repeat the advice that I have recorded on previous reports.

- Candidates must provide the correct format for all financial statements using the correct new terminology and should not use any abbreviated labels.
- 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 dealing with explain or discuss questions, candidates must always offer development of an identified point in order to gain all of the available marks.
- When dealing with evaluative or assessment 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

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