Examiners' Report
Principal Examiner Feedback

Summer 2025

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

PAPER 2: Financial Statements

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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 income statement of a sole trader.

(a) Data was provided of balances at the year-end together with five issues that had not been accounted for. Candidates were required to prepare the income statement for the year. Most responses were very good with several fully correct accounts. Presentation of the account continued to show improvement from previous series. The main errors were the omission of discounts received and irrecoverable debts.

(b) Candidates were told that a payment for machinery repairs had been incorrectly entered in the machinery account, and they were required to calculate the adjusted profit after correction of the error. Whilst most candidates corrected the cost of the machinery mis-posted, few adjusted for the depreciation aspect of the error.

(c) Candidates were required to explain the relevant accounting concept if the trader chose to change the basis of accounting for depreciation to the straight-line method. Whilst most candidates correctly identified the consistency concept, relatively few provided development to gain more than two of the available four marks.

(d) Candidates were required to advise the trader why it is important to differentiate between capital and revenue expenditure. Several candidates did explain the meaning of both types of expenditure, but whilst there were some very good balanced answers, others failed to address the importance of the differentiation.

Question 2

The question focussed on financial statements of partnerships.

(a) Candidates were required to prepare the appropriation account from data provided. There were several fully correct answers. The most common mistake was to miscalculate the partner's salary with several accounting for only one month.

(b) Candidates were required to prepare the statement of financial position. Although most candidates produced a reasonably well-presented statement, there were very few fully correct answers. The most common errors were a failure to class the partner's loan as a current liability and incorrect calculation of the partners' current accounts. Candidates should remember that the trade receivables should be shown as a net figure after deducting the allowance for irrecoverable debts.

(c)(i) Required candidates to explain one advantage to the partnership of forming a limited liability partnership and it was clear that only a minority of candidates appeared to have sufficient detailed knowledge of this topic area to be awarded more than one mark.

(c)(ii) Asked candidates to explain why the partnership should account for goodwill when a new partner joins. It is disappointing to note that very few candidates had knowledge of the reasons for accounting for goodwill and only a minority gained any marks at all.

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 to gain all the available marks.

- When dealing with evaluative or assess 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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