Examiners' Report
Principal Examiner Feedback

Summer 2025

Pearson Edexcel International GCSE
In Accounting (4WAC2) Paper 01

PAPER 2: Financial Statements

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General

Whilst there were a number of good scripts from well-prepared candidates, it is disappointing to note evidence of very poor basic double entry knowledge from several candidates and a lack of awareness of the structure of financial statements. Centres need to ensure that candidates are familiar with this structure in all cases.

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 do recognise an 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 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 statements of partnerships.

(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) Candidates were provided with data showing the balances remaining after preparation of the partnership income statement together with three issues that had not been accounted for. Candidates were required to calculate the revised profit after taking account of making adjustment for the three issues. Results were mixed with well-prepared candidates able to gain all four available marks though others found the calculation more challenging deciding on the direction of the adjustments.

(c) Candidates were required to prepare the statement of financial position having taken account of the omissions calculated in the previous task. Whilst well-prepared candidates 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. As referred to in previous examinations, several candidates lost marks as a result of the use of abbreviations and old terminology. The most frequent error was a failure to calculate the correct balance of each partners' current account.

(d) The final question required candidates to advise the partners whether they should continue maintaining separate current accounts and capital accounts. Several candidates identified the uses of both accounts to gain two marks though development of their initial identification was often insufficiently precise to be rewarded. Pleasingly, most candidates did complete their response by offering the required advice.

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 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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