Examiners' Report
Principal Examiner Feedback

Summer 2025

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

PAPER 2: Financial Statements

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General

Whilst there were a number of excellent scripts from well-prepared candidates, it is disappointing to note evidence of very poor basic double entry knowledge from several candidates.

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 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 financial statements of a sole trader.

(a) Data was provided of balances at the year-end together with issues that had not been accounted for. Candidates were required to prepare the income statement for the year. Whilst the presentation of the statement was generally good, and well-prepared candidates were awarded good marks, others found adjustment of the missing items challenging.

(b) Required candidates to prepare the drawings account and the equity account. Overall performance was poor with many candidates demonstrating a lack of basic double entry bookkeeping. In particular, lack of precision in entering the details column and a failure to enter the correct dates for transactions.

(c)(i) Candidates were required to explain what is measured by the return on capital employed ratio. Responses were frequently too vague to warrant more than one of the available two marks.

(c)(ii) Candidates were required to calculate the return on capital employed and state the formula used. Whilst many candidates stated the correct formula, others either calculated the return incorrectly or in many cases did not attempt this question.

(d) Required candidates to advise the trader of the factors to consider before taking on a partner. Well prepared candidates highlighted various disadvantages of forming a partnership and subsequently offered options available to finance the expansion of the business. Sadly, a number of candidates made no attempt to answer this question.

Question 2

The question focussed on financial statements of partnerships.

(a) Candidates were required to prepare the appropriation account from data provided. Several candidates seemed to be unfamiliar with the structure of an appropriation account whilst other made fundamental errors. There were few 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. Several candidates made no attempt the answer this question.

(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. Again, several candidates made no attempt the answer this question.

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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