



Pearson

Examiners' Report

Principal Examiner Feedback

January 2017

Pearson Edexcel International GCSE
In Accounting (4C0) Paper 1

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General comments

Centres are to be congratulated on their preparation of students for the January 2017 IGCSE 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 Q9 where the question required students to calculate the amount that should have appeared in the income and expenditure account, not any other amount. Some questions did prove challenging, for example the identification of the correct rate of stock turnover in Q10.

Section B

Question 11

- (a) Students were required to prepare a sales book and sales returns book from given data. A majority of students were able to score well in this task with the most common error being the omission of the correct date and issues with the calculation of VAT. Several candidates lost marks through not totalling the books as instructed in the question

- (b) Students were required to identify the correct double entry for the posting of the two day books in (a). Generally this was well done by the majority of students with a minority using figures which was not required.

- (c) Students were required to prepare a ledger account and show the closing balance. There were some excellent responses to this but as in previous sessions correct narratives are still a problem for students. The correct narrative should indicate which book or account the information has been posted from.

- (d) Students were required to state three documents which would be used when preparing given books of original entry. As with other parts of this question many students were able to score full or nearly full marks which is encouraging.

Question 12

- (a) Students were required to complete a reconciliation of the total of the purchases ledger to the balance of the purchases ledger control account. The provision of a pro-forma for students to provide their response allowed many students to score well in this task. The most common error was the omission of any indication of whether a figure was negative or positive which was essential in order to score full marks.
- (b) Students were required to demonstrate their knowledge of financial statements through the completion of a balance sheet extract from given data. The indications were that students were well prepared for this type of task with the majority scoring good marks. The most common error was in the treatment of the provision for doubtful debts which should have been deducted from the debtors and not shown as a current liability. As the requirement was to only calculate the working capital students should not have included machinery as this is a fixed asset. In addition the working capital figure needed to be correctly labelled.
- (c) Students were required to calculate two liquidity ratios clearly stating the formula used. As with previous sittings this was answered well with the most common error being failing to present responses to two decimal places as required by the task. It is important for students to remember they must read the question carefully if they are to access all the available marks.
- (d) Students were required to evaluate the change in liquidity over the two years of the business using their own figures from (c) and given data. Marks were awarded here where students evaluated **each** ratio and indicated some reference to the implications for the business's creditors. Students should try to relate their response to the given scenario and avoid using generic responses which may not be appropriate to the given scenario.

Question 13

- (a) Students were required to state two advantages of forming a partnership. The standard of responses was variable with many students scoring full marks and others not fully understanding the requirement of the task. The most common acceptable response was the increase in capital and the ability to share the workload and expertise.
- (b) Students were required to explain why it is advisable for a partnership to maintain individual current accounts. Where a question asks students to explain it is necessary to avoid just stating a basic response but be guided by the number of marks and make some attempt to develop their response in order to access all the available marks.
- (c) Students were required to update the current accounts for two given transactions. This should have been a relatively straight forward task but some students experienced difficulty with identifying the correct side of the account. In addition with all ledger accounts it is necessary to ensure that a correct date is provided on both sides of the account.
- (d) Students were required to state two other entries that would be found in a partnership current account. Marks were not awarded for repeating the entries from (c) but rather for identifying any other entries such as share of profits or interest on capital etc.
- (e) Students were required to explain why one of the partners had a debit balance on their current account. This proved challenging for students, with the correct response that the partner owed the business for having taken out more money than he was entitled to being rarely seen.
- (f) Students were required to evaluate the proposed change of structure from a partnership to a limited company. As previously stated students need to relate their responses to the scenario given and avoid generic responses. In this task marks were awarded for identifying the implications of limited liability for the existing business owners and the effect on their income of the proposed change. In addition credit was also given where students identified the loss of control which would result from the proposed new structure.

Question 14

- (a) Students were required to prepare a trading account for a manufacturer from given data. In previous sittings candidates have been able to deal correctly with the preparation of a manufacturing account but this aspect of a manufacturers financial statements proved challenging for many students. Weaker students attempted to produce a manufacturing account in spite of the fact that the production cost had been given in the question. However there were several candidates who were able to complete the task correctly and scored full marks.
- (b) Students were required to suggest one reason why the business had purchased finished goods as they were a manufacturer. Generally the responses here with good with the most common correct response being to deal with delays in production or because they would be cheaper to buy than to manufacture.
- (c) Students were required to calculate the debtors' collection period from given data and their response to (a) which generally was well done. Students need to remember with this ratio it is necessary to round it up to the nearest whole day.
- (d) Students were required to explain the implications of the figure calculated in (c). As previously indicated students need to take note of the command word which in this task was 'explain'. This required candidates to provide a developed response in order to access all the available marks.
- (e) Students were required to suggest three steps that a business could take in order to improve their debtors' collection period. Overall this was well answered with the most common response being to offer cash discounts to encourage prompt payment.

Question 15

- (a) Students were required to explain the difference between the writing off of a bad debt and making a provision for doubtful debts. Overall the responses here were good but in order to gain full marks students needed to develop their response and provide a more detailed response.
- (b) Students were required to state the accounting concept applicable to the creation of a provision for doubtful debts. The correct response of 'prudence' was given by many candidates with an equal number suggesting the correct response was the accruals concept which was not acceptable.
- (c) Students were required to prepare a journal entry to record the writing off of a bad debt. This proved challenging for some students with the correct response of debit bad debts and credit Mayo being provided by a minority of students.
- (d) Students were required to prepare the bad debts recovered account from given data. Marks were lost here through incorrect dates and/or narratives which are essential in order to understand why the entry was made. The transfer to the profit and loss account should have taken place at the year end with the payment being received during the year. However it is pleasing to note that there were some students who scored full marks in this task and they are to be congratulated.

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 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.

