Examiners' Report
Principal Examiner Feedback

October 2018

Pearson Edexcel IAL
In Accounting (WAC11)
Paper 01 The Accounting System and Costing

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General

The standard achieved by students was variable in this examination. Many students demonstrated a thorough knowledge and application of accounting principles. For a minority of students accessibility was limited and for these students taking the examination was premature. Students who have been unsuccessful in the May examination should realistically consider their chances of being successful in the October examination. Again, centres are to be congratulated for preparing students for this examination. The majority of students demonstrated a thorough knowledge and application of accounting skills.

There were some common errors and these are detailed in this report, but overall the standard was good and appropriate to that required by the IAL.

The use of narratives in ledger accounts is much improved but some students could gain higher marks by paying closer attention to this aspect. The narrative used should not be the name of the account in which the entry is posted. A few students still lose marks by unacceptable abbreviations for the narrative balance. The examiners will not accept b/d or b b/d, the narrative must be a **minimum** of bal or b/ce. For other narratives and to bring the IAL into line with International GCSE the examiners will no longer accept first letter initials for narratives such as I/S or P/L. The words income statement or profit and loss must be used in full.

Specific Comments

Question 1

Students generally prepared good answers to the question. The income statement, statement of financial position and bank account were substantially correct. The forecast profit was generally accurately calculated down to the gross profit but student's inclusion of expenses was generally limited, often only including the running costs.

The evaluation was balanced and generally considered a range of points together with a decision.

Common errors:

- In the bank account to include the overdraft as an entry
- Failure to include expenses in the forecast statement of profit or loss and other comprehensive income.

Question 2

Students generally prepared substantially correct statements of profit or loss and other comprehensive income. The revenue and purchases were accurately calculated as were most of the other incomes and expenses.

The calculation of the liquidity ratios was often incorrect with the prepaid insurance and the bank interest accrued not included. The collection and payment periods were more accurately calculated. Comments on the ratios calculated were appropriate as were the reasons for the fall in the bank balance.

The costing options for the product were generally accurate with the exception of the semi-fixed cost of production overheads, which were often incorrect. Students could generally identify the nature of the three cost categories.

The evaluations were again well presented with a number of positive and negative points discussed and a decision made.

Common errors:

- Calculation of liquidity ratios
- Calculation of production overhead value in both options.

Question 3

Students generally provided a good response to the adjustments required and the corrected figures. A very high degree of accuracy was achieved down to the level of the gross profit.

Students were less sure about the use of the suspense account in correcting errors. They were even less familiar with the use of the journal in the process. This was surprising as many past papers require the preparation of journal entries in the correction of errors.

Common errors:

- Understanding of the use of the suspense account and journal in the correction of errors.

Question 4

Students generally coped well with this question. Journals and narratives were substantially accurate and the entries in the ledger accounts generally correct. A minority of students lost a significant number of marks because the narratives were incorrect e.g. in the Bad Debts Account some students used the narratives bad debts or I/S instead of the name of the debtor. In the Allowance for Doubtful Debts Account b/d was often used by those students.

Students generally had a very limited understanding of the measures that a business might take to control credit and limit bad debts. The mark scheme provides a range of measures which centres and students should consider.

Common errors:

- Accuracy of narratives used in ledger accounts
- Understanding of elements of good credit control.

Question 5

Although a manufacturing account in columnar format has been examined previously on a number of occasions, responses were generally disappointing. A minority of students chose not to use columnar format but provided a single list. Generally, students did not calculate the cost of the wood raw material with accuracy and the labour costs were also inaccurately calculated. The overhead apportionment and work in progress adjustment were generally accurate.

Drawing a distinction between inventory valuation and inventory rotation was much improved from what we had seen in previous examinations. Students were also able to evaluate the arguments for and against perpetual inventory.

Common errors:

- Calculation and apportionment of raw material and labour costs.

Question 6

Students were generally aware of net realisable value as a concept but were less able to explain how the concepts of historic cost and realisation related to inventory. A minority of students related the concepts to depreciation not inventory.

The calculation of the inventory values at the beginning and end of the period were substantially accurate with the common error of valuing the fridges at cost not net realisable value. The trading account was substantially correct with many correct on the own figure rule.

The evaluation was generally well presented with a number of valid points for and against.

Common errors:

- Not able to explain how the concepts of historic cost and realisation relate to inventory
- Valuation of clearance inventory at the lower of cost or net realisable value.

Summary

Centres continue to prepare students for the examination to a good standard giving them every chance of success. Centres may wish to consider the following to further enhance their student's chances of success.

- Ensuing that their students are accurate when entering narratives in ledger accounts. These need to be the name of the account, which is the other element of the double entry in full and not unacceptable abbreviations.
- Have an understanding of the use of accounting terms used in accounting topics contained within the specification such as suspense account and journal in the correction of errors.
- An understanding of concepts and their application such as the concepts of historic cost and realisation.
- An understanding of elements of good credit control.