



Examiners' Report
Principal Examiner Feedback

January 2023

Pearson Edexcel International Advanced Level
In Accounting (WAC12/01)
Unit 2: Corporate and Management Accounting

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ACCOUNTING WAC12 JANUARY 2023
PRINCIPAL EXAMINERS REPORT

Introduction

As usual, there was a very wide range of marks attained by students sitting this paper. Overall, the level of responses was quite normal, with a mean almost exactly at the intended mark of 50%.

Question 1

Many candidates showed their strong knowledge of the theory concerning marginal costing and decision making and scored very well on this question. This was the highest scoring question in Section A. Nearly all candidates could correctly calculate the quantity of aluminium mined in (a). Part (b) was also usually done well and many scored full marks here when calculating fixed costs. It was pleasing to see answers to (c), calculating the profit or loss for each mine, were very good and scored highly. Responses to (d), calculating the expected contribution per kilo, were not quite as strong, as a number of candidates failed to adjust the revenue per kilo to the lower price of £2.0 per kilo in 2023. The evaluation in (e) was the weakest part of candidates' answers. Often, responses ignored chains of reasoning which would have involved contribution theory and they merely looked at profit figures, sometimes from 2022. Stronger answers included the possibility of reducing costs but stated this was likely to be quite difficult.

Helpful hints for common problems:

- Candidates need to take special care when answers involve a quite a large number of 0's. Very often a "0" would be left off a figure, or an extra "0" was added. It is acceptable to head a column with "000" and sometimes candidates benefitted from using this option.
- Answers concerning the future of the four mines (or any other business examined) should include the short term and the long term future. Contribution theory will determine the short term future and overall profitability will determine the long term future of the mines or branches.
- Questions need to be read carefully and candidates must ensure they take account of all information given. For example, a line above the question for (d) stated "In 2023, the world market price of aluminium is expected to fall to £2.0 per kilo", but this was often overlooked in the calculations.

Question 2

This was the lowest scoring question in Section A. It was good to see that many candidates scored well in part (a), when asked to complete the Statement of Changes in Equity. The weakest part of the (a) answer was part (5), the redemption of the shares at a premium. Many candidates omitted the Capital Redemption reserve heading and the entry of £65m in this column.

Answers to (b), Journal entries, were mixed and this part of the question discriminated well between those who knew their double entry and those who did not. Responses to (c) were disappointing or omitted altogether.

Candidates often only had a vague understanding in (d)(i) of what exactly a provision was, with only a few stating it was a liability. Responses for (d)(ii) were mixed, with a number wrongly including the £480 000 and the £420 000 of trade receivables in the Allowance for Irrecoverable debts account.

The evaluation in (e) saw responses ranging from the very good to the poor. Weaker answers thought that Sohail did not have his shareholding reduced by 5% and that only other shareholders were affected. A good number of answers were merely descriptive, with candidates merely describing what had occurred in the year rather than the effect on Sohail.

Helpful hints for common problems:

- When completing a Statement of Changes in Equity, it is worth checking that the total for the right hand column is the same as the total for the last row. If the totals agree, then the figure can be entered into the bottom right hand box.
- Candidates must try to think of the name of the account when completing Journal entries and realise this is likely to be more than the wording in the question. For example, “Statement of profit or Loss” or “Retained earnings” rather than just “Profit”.
- Candidates need to ensure they answer the question, which in (e) was from the point of view of a shareholder, not the company itself. Whilst an assessment of the performance of the company is often similar from both viewpoints (eg for profits or losses), they may differ at times (eg a share redemption).

Question 3

This was the third most popular of the section B questions and the third highest scoring.

Nearly all candidates were able to calculate the correct weighted average cost of capital in (a). It was pleasing to see that most candidates were able to select the source of finance with the lowest interest rate in (b). Answers to (c) were varied, with some responses mentioning the environment, but few expanding their answers to cover, for example, a reduction in fossil fuels. Responses for the calculation of the net present value in (d) were mixed, although most candidates were able to score some of the marks available. The own figure rule allowed most candidates to pick up the one mark available in (e), for calculating the net present value of 40 turbines. Most answers to (e) managed to reach the level 2 standard, with a few progressing to level 3. Candidates were able to realise a positive net present value meant the project should go ahead.

Helpful hints for common problems:

- Figures shown in calculations should find their way into the net present value table. This really has a greater chance of happening if answers are set out in a logical, rather than haphazard, fashion.
- When calculating the net present value, do not forget to include year 0, the capital cost of the project, and ensure that this figure is shown as a negative.
- When calculating the discounted net cash flow, it is acceptable to round to the nearest whole number. However, if candidates decide not to round, they need to be careful that the decimal point is in the correct place – and it is actually shown.

Question 4

This was the least popular question in section B and was the lowest scoring question in the section.

Answers to (a) were reasonably good, with many candidates able to state a factor to consider when deciding upon the value of an asset. Calculations for the value of goodwill in (b) were usually accurate or mainly correct. Part (c), calculating the amount of cash a shareholders would receive, produced mixed responses. Whilst some could reach 4 or 5 marks, many others struggled with how to start this calculation. The second part of (c) was well done, calculating the total cash shareholders would receive, often taking advantage of the own figure rule. Candidates only performed reasonably in (d) picking up often only 2 or 3 marks, as the calculations were found difficult for many. A good number of answers to (e) considered factors such as economies of scale and benefits of horizontal integration which was pleasing. Also taken into account for the purchase, was the dilution of ownership. The result was that (e) scored reasonably well.

Helpful hints for common problems:

- Candidates should realise that patents do not last forever, and have a limited legal time span.
- When a larger company purchases a smaller company, candidates should be aware that the reserves of the smaller company eg retained earnings, are not added to those of the larger company.

- Candidates need to be aware of the need for application to the scenario in order to achieve a level 2 or 3 score. Too often, evaluations are generic with no or very little application to the scenario. Perhaps candidates should ensure they use the names of the companies in the question in their evaluation and this may help steer candidates towards application.

Question 5

This was the second most popular question in Section B and the highest scoring. Candidates often scored well in (a)(i) when asked to calculate break-even point in sales units. Part (a)(ii), calculating the break-even point in sales revenue, was also well answered, sometimes with the benefit of the own figure rule. However, the margin of safety in (b)(i) proved more challenging for candidates and scores here were lower. Those who were successful with (b)(i) did well in (b)(ii) calculating the margin of safety as a percentage of sales. The evaluation in (c) covered the whole range of marks from 0 to 6. Only a few candidates included any calculations in their answer. A starting point for calculations would have been profit per printer, or the new break-even point in sales units. It was good to see that many answers mentioned incentives for staff to sell more printers.

Helpful hints for common problems:

- Candidates need to clearly show workings and label their workings. If a candidate arrives at the final answer, they will receive full marks – in this case, 56 250 units for 16 marks. However, if the final answer is incorrect, examiners will look at workings and award wherever they can see correct labelling and calculations. Labels required for this question included fixed costs, variable costs, contribution and break-even point.
- Candidates need to learn the formulas for calculating the margin of safety. This could be for an answer measured in revenue (pounds) or as a percentage of sales.
- Sometimes, candidates should be prepared to include some calculations in their evaluation. This may not always be the case, but it was in this question.

Question 6

This was the most popular question in Section B and the second highest scoring question in the section. Often, part (a) was answered reasonably well, as there are clearly some candidates who have learnt the formulae for investment ratios. Where calculations were not exact, the own figure rule often helped candidates. Sections (a)(i) to (iii) were found the easiest. The simple tax calculation in (iv) was often executed incorrectly. Parts (v) and (vi) scored reasonably well. Part (b) saw some reasonably good attempts and candidates were able to successfully discuss the importance of the return on capital employed ratio. Weaker answers felt that ROCE was something that could be manipulated rather than the result of profitability.

Helpful hints for common problems:

- A common and recurring fault is a failure to give the answer units eg pence per share, or times, or percentage. The final mark for each answer will not be awarded if units are not given.
- As previously stated, formulae need to be rote learnt, off by heart. Incorrect formulae will disadvantage candidates and scores for the section will be low or zero.
- When evaluating, candidates need to arrive at a conclusion or recommendation that relates to the topic being questioned. Failure to arrive at a conclusion or recommendation will exclude the candidate from the top level of the mark scheme.

