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Examiners' Report October 2025

Pearson Edexcel International Advanced Level in Accounting

WAC12/01

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October 2025
Question Paper Log Number P78813A
Publication Code WAC12_01_2510_ER
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Introduction

The overall standard of learner responses for this paper was good with a mean score of 112 (56%) being achieved. Overall, there was the usual wide range of marks attained by learners.
It was good to see that some learners had clearly prepared well for the exam, and their scores reflected this effort.

Question 01

This was a compulsory question which was the highest scoring question in Section A by 5 marks, 2.5%. Learners were given a trial balance of a company and were required to prepare a Statement of Comprehensive Income (SoCI) in accordance with IAS 1 for part (a). Responses to (a) were generally quite good as the basic format of a SoCI was usually known and applied. Sometimes, however, learners need to think about what a debit balance implies, or what a credit balance implies. For example, if bank current account interest is shown as a debit, it must be an expense. If the bank current account is shown as a credit in the trial balance, it must represent an overdraft.

Part (b), calculating the gearing ratio, was completed well, with learners usually identifying a correct formula and applying this with a high degree of accuracy. More than one formula was acceptable, as various texts may state a different formula. Some learners benefitted from the own figure rule in the final calculation – as long as they had showed a formula and/or workings earlier!

The evaluation in (c), concerning the performance of the company for the year, scored reasonably well. It was good to see that most learners did carry out some relevant calculations. Stronger answers saw the implications of the calculations explained. For example, the low gearing ratio meant that interest payments were relatively low, if compared to a company with a higher gearing ratio.

Common errors were:

- When completing the SoCI for (a)
    - Classifying warehouse costs under cost of sales
    - Omitting the amortisation of goodwill
    - The decrease in provision for irrecoverable debts was often added as an expense instead of being deducted.
    - Bank current account interest was mistakenly classified as income.

- When calculating the gearing ratio for (b)
    - Failing to add the Profit after tax calculated in (a) to the total capital employed underneath in the calculation.

Question 02

This was a compulsory question, and scores were reasonably good. This was the lowest scoring of the two questions in Section A but only by 5 marks (2.5%). The mean for this question was very close to the intended mean of 50% for the question.

Many learners performed well in section (a) calculating the total quantity of copper required to satisfy demand for all four products. Similar good performance was shown in (b) to explain the term limiting factor. Part (c), calculating the contribution for one item of each of the four products was usually completed successfully. Part (d) was found more difficult as it required a calculation to find the contribution per kilogram of copper. Some answers omitted this line and therefore had the wrong order of production. The quantities of production in (e) were usually correct, based on calculations shown in part (d). Similarly, the profit calculation in (f) may have relied on the production order from (d) but benefitted from the own figure rule.

Most learners displayed a reasonably good knowledge of ICT and its application to bookkeeping when answering the evaluation section in (g). Some higher scoring learners were able to follow the instruction and include reference to financial, technical and human aspects of ICT when used in bookkeeping. Lower scoring learners discussed ICT in general terms.

Common errors were:

- Generally failing to recognise not all fixed costs were showing weekly figures, so no conversion took place eg monthly rent to a weekly figure.

- Some answers used labour as a limiting factor, or the size of weekly demand to determine the order of production, rather than the limited quantity of copper available.

- In part (e), the last item, the coal bucket, took the total copper required to 3 497.8 kilograms if 253 were produced. If 254 were produced, the figure would be 3 500.4 kilograms which goes over the 3 500 available. Many learners “rounded up” the answer to 354 and lost a mark.

Question 03

This question on standard costing was the third most popular of the four questions in Section B, and the third highest scoring. The mean was only one mark above the intended 15 marks (50%).

Learners often struggled to identify two sources of information for (a). Those that did, often failed to develop or expand the answer, so marks here were low. Sources such as supplier quotations, product specifications, labour rate agreements and past financial records were rarely given.
Calculations for (b), to find the budgeted and actual production figures were usually done very well.
For (c), most of the responses were accurate, when finding the standard quantity of material to meet actual production.

Generally, scores for (d) were quite good, as strong learners knew and applied the correct formulas for calculating variances. Answers to (d)(iii) sometimes benefited from the own figure rule.
Evaluations in (e) were often in level 2 or 3, especially if reasons were given, or suggested, for variances.

Common errors were:

- In part (c), a number of learners used the budgeted amount of tracks at 192, instead of the actual production of 181, when trying to calculate the standard quantity of material required.

- Using an incorrect formula to calculate the variance in (d).

- Omitting to state whether the variance was favourable or adverse in (d). Learners need to state Adv or Fav as a minimum and try to avoid possible use of just a bracket.

Question 04

This question on investment ratios was the most popular question in Section B, and the second highest scoring. The mean was 2 marks above 50%

The question did not ask for the formulae to be stated. However, many learners took a sensible step of writing the formula as it set them up usually correctly, for the calculations. Learners who stated the formula were in a better position to earn own figure marks as examiners could see what learners were trying to do. Answers to (a)(i) and (a)(ii), calculating the dividend per ordinary share and the dividend yield per ordinary share were generally good. Responses to (a)(iii) usually scored well, although many learners omitted the "after tax" and did not deduct the £96 000 tax.

Calculating the earnings per ordinary share in (iv) was done reasonably well. However, many responses did not deduct the redeemable preference dividend of £240 000 and lost a mark.
Part (v), the price /earnings ratio was usually calculated correctly. This often involved using and own figure for earnings per share.

The last calculation in (vi), finding the return on capital employed was found a little more demanding. Many answers saw a figure or two left out of the long list that represented capital employed.

Answers to (b) were usually reasonably good. However, there was a tendency to be descriptive, merely repeating in words what had been calculated as a figure in (a). Stronger responses answered the question and mentioned how satisfied shareholders would be.

Common errors were:

- Failing to give any units to the answer or stating incorrect units. For example, the Price/earnings ratio was sometimes expressed as "%". This resulted in the final answer mark not being awarded. No marks were awarded to the final answer if no units were given usually. However, dividend cover and price/earnings were exceptions to this rule.

- In part (vi), failing to add back the interest to the profit figure to arrive at a figure for "net profit before interest and tax".

Question 05

This question on purchasing a company was the least popular of the four questions in Section B, and the lowest scoring. The mean was only one mark below the intended 15 marks (50%).

Responses to (a)(i), the calculation of agreed asset valued were generally good. However, some learners overlooked the fact that calculations had to start with the original asset value of £44.8 million. Similarly, responses for calculating the agreed value of liabilities in (a)(ii) were generally accurate.

Calculating the purchase price paid by Solea in (a)(iii) sometimes saw the omission of the £0.25 cash in the calculations. The calculation of goodwill in (a)(iv) usually relied on the own figure rule to gain the majority of marks.

The evaluations in (c) usually contained correctly interpreted information and figures, but often did not consider the viewpoint of Margarita, the shareholder in JKL plc.

Common errors were:

- In (a)(iii), overlooking the fact that one share in Solea was given for every **two** shares in JKL, not one.

- When closing the Trade receivables and Trade payables accounts in (b), getting debits and credits confused. For example, Trade receivables will have a debit balance, so needs a credit entry to close off the account. The debit entry will be in the Realisation account.

Question 06

This question on project appraisal was the second most popular question in Section B and the highest scoring. The question had a mean of four marks above the 50% score of 15 out of 30.
Generally, the calculations in (a) to arrive at the inflows were completed well. Similarly, outflows were often correct, although depreciation sometimes proved tricky. The figures for net cash flow often benefitted from the own figure rule.

Some learners came unstuck, when calculating the payback period in (b). Their calculations in (b) showed that the project did not payback at all ! Most learners realised there was not enough time to go back and check calculation, so just moved on.

The evaluations in (c) were pleasing as learners rightly concluded that other methods of project appraisal should be considered. It was good that learners were able to name these other methods and sometimes give an advantage of a method.

Common errors were:

- In part (a),
    - Failure to deduct depreciation, or an incorrect calculation of depreciation.
    - Omitting the occupancy rate of market stalls from calculations.
    - Expressing the payback period precisely in terms of years and months.
- In part (c), some learners gave an answer that considered whether the investment should proceed. However, the question asked was it appropriate to use only the payback method of project evaluation.

General Points

The general points listed below should be addressed by learners to improve performance.

Formulae need to be rote learnt (“off by heart”). There is a page and a half of formulae in the Specification. Also, there are variance formulae that need to be learnt. Learners need to be able to recall and apply formulae in the examination. Learners need to show their workings. If the learner just writes down an answer and the answer is wrong, they will score zero marks. If the learner just makes one little error, but the rest of the workings are correct, the own figure rule can be applied and only one mark is lost.
Evaluations are more than just expressing in words, the calculations that have been made earlier in the question. If possible, learners could try to explore what has caused the figure calculated, and the effect it may have on the business.