Examiners' Report

October 2025

Pearson Edexcel International Advanced Level in Accounting

WAC12 01A

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INTRODUCTION

This was the first sitting of Paper 1A.

The overall standard of learner response was roughly in line with that expected and the mean score of 48% was slightly lower than the intended mean of 50%.

Scoring on Q1, Q2 and Q3 were lower than anticipated but learners performed relatively well on Q4, Q5 and Q6.

Question 1

This was one of two compulsory questions in Section A. Learners were required to prepare a Statement of Cash Flows for Kullna Stores PLC for 43 marks and then evaluate the relative importance of profitability and liquidity for 12 marks.

The mean mark was 24.77 marks (45.04%) and reflects that the proportion of weak or incomplete responses was higher than expected. 15% of the scripts scored no marks – a vast majority of these were completely blank.

Q1a: A large number of learners scored in the 30s and it was clear that many centres had prepared their learners thoroughly for a task that has been set previously.

A large number of learners scored heavily on following sections:

- Cash flows from operating activities – with a large number of learners achieving 20 or more of the 23 marks available by the time they reached the 'net cash from operating activities' stage.
- The 'cash flow from financing activities' section was also completed well with many learners achieving full-marks.

However, there were several issues that cost many learners significant marks:

Poor (or lack of) labelling: As ever, there was confusion between the phrases 'net cash generated from' for inflows and 'net cash used in' for outflows and some very loose descriptions for the final balances.

Lack of workings: There were several items that were worth several marks – including the calculations of depreciation (5 marks) and the payments to acquire non-current assets (5 marks). While many learners achieved all 5 marks for these items, many did not provide workings and might have scored some of the marks had they shown workings. Many learners also sacrificed the 4 marks for the £95 000 for the profit from operations because of a lack of workings.

Q1b: Learners were asked, in response to a comment made by one of the directors, to evaluate whether profitability or liquidity were most important.

Relatively few responses did not talk about the importance of profitability and liquidity to a business. Most responses were restricted to comments relating to items seen in the statement of cash flow and although these would have been useful in providing examples of how profitability and liquidity had been affected, it was not really answering the question. This largely restricted scoring to L1 or L2 (2-6 marks).

Other learners restricted their scoring by not discussing both profitability and liquidity – evaluation requires both sides of the argument to be presented before an opinion is expressed.

QUESTION 2

This question required learners to produce a series of budgets relating to the production of a series of sales, production and finance budgets for an international car manufacturer (total of 43 marks) followed by an evaluation of finance options available to customers in Australia (12 marks).

The mean mark was 23.20 marks (42.18%). As in Q1, this modest mean was the result of there being a larger than expected number of responses that were either poor or incomplete.

This question produced a wide range of marks and the sequential nature of the tasks resulted in significant application of the 'own figure' rule. Despite this, a large number of learners did not attempt the later parts of this task.

It was quite surprising how many responses including references to fractions of a motor vehicle rather than rounding to the nearest whole unit.

Q2a: This was generally well-answered with many responses achieving full marks.

Q2bi and ii: In bi, many learners fell into the trap of only transferring the figures from 2a into the production budgets with relatively few recognising that production might need to take place across the full 5 months. Surprisingly few responses correctly accounted for the increase in inventory levels and this was reflected in poor scoring in the inventory budget (bii).

2c: Mixed scoring here with many learners failing to read the question properly – only 5% of vehicles made needed re-working, not all of them as many responses claimed. Not recognising that each car cost £19 also cost many marks.

2d: Learners often struggle with timing issues in budgeting questions and scoring on this item was generally modest because of it. There was also a high frequency of marks being lost because of simple arithmetic errors where 'own figure' might have rescued scores.

2e: A large number of learners did not read the question properly and proceeded to produce a cash received budget that either related to the whole world or the wrong country when Australian figure was required …. which scored no marks. Many learners also failed to notice that there were sub-totals with the columns and when they just added up everything in the columns, were guilty of double-counting which prevented many from benefiting from the 'own figure' rule.

2f: The quality of evaluation was generally incomplete or lacking in depth. Relatively few learners discussed the pros and cons of all three payment options before drawing a conclusion and many responses only discussed the 'favoured option'. This limited most scores to L1 or L2.

QUESTION 3:

This question centred on a bonus issue of shares with learners being required to produce a mix of calculations and explanations. This was not a popular question as fewer than half of the learners attempted it – a mean score of 10.41 marks (34.70%) also made it the lowest scoring question on the paper. Many responses started well but then became increasingly blank as the question progressed.

Q3a and b: Many learners scored well here but did not 'finish off the question'. Dividing by 5 to arrive at the number of shares being received rather than multiplying by 5 was a common error.

Q3c: Many learners lost marks because they did not develop their basic points – most of which were valid.

Q3d: Many learners achieved most of the marks here because the numbering and labelling in the journals was good. However, the quality of narrative was poor or non-existent and might reflect the fact that many of these questions do not require the production of narratives.

Q3e and f: Few genuine attempts at these tasks failed to score marks, particularly with the application of the 'own figure rule' and full-mark responses were extremely rare. A number of learners chose to present answers in the form of ledger accounts – a valid approach – but good execution was a rarity.

Q3h: This was very poorly answered, if at all. Most learners tried to use the words 'redeemable' and 'irredeemable' as a basis of their answer but very little of merit was seen beyond the notion that redeemable means that these preference shares need to be bought back whereas irredeemable ones don't. This may reflect a lack of understanding of the concept. Most scores were L1 (1-2 marks).

QUESTION 4

This question required learners to perform a series of breakeven calculations, prepare a break-even chart and evaluate the use of IT in carrying out break-even

analysis. Learners scored a mean of 18.07 marks (60.23%) on a question attempted by nearly twice as many people as Q3.

4a and b: Many learners carried out the calculations of break-even points, margin of safely and profit correctly. The most common mark lost was caused by learners not rounding up their answer to the next unit. It was clear that centres had ensured that their learners were able to distinguish between fixed and variable costs and were able to apply the relevant formulae.

4c: Break-even charts have not been tested for a few series and so it was not entirely surprising that the quality of the break-even charts varied considerably, even though the preliminary calculations were generally accurate.

Many of the responses that failed to achieve full or near-full marks paid a heavy price for very poor numbering of the axes and it was evident that lines had been drawn merely to ensure that key items like the break-even point were located where the calculations suggested they should be! This deficiency limited many learners to a maximum of 3 marks.

4d: Scores on this item were mainly L1 or L2 (maximum 4 marks). Learners seemed to be very capable of writing about the general advantages and disadvantages of IT but there was a general lack of application to the issue if using it to carry out break-even analysis.

QUESTION 5

This question required learners to calculate a number of accounting ratios and then evaluate a statement relating to how important it is for a company to pay increased dividends. The mean score was 17.37 marks (57.90%).

As ever, there was considerable application of the 'own figure' rule – particularly in parts aiv to avi.

5ai: most responses scored 4-6 marks and the presence of formulae in many responses indicated a decent grasp of the approach. There were widespread instances of the preference dividend being subtracted and items missing from the capital employed figure.

5aii: many learners answered this correctly or achieved 3 marks for arriving at 6.28%.

5aiii: this was very well answered – there were many full-mark responses.

As ever, there was considerable application of the 'own figure' rule in the later stages of the question:

5aiv: the most common response was 1.78 times for 2 marks.

5av: many learners correctly used their figure of £0.04 from aii and were awarded the full 3 marks.

5avi: correct answers were widespread – even on responses where scoring on the previous items were modest.

5b: scoring on this item was mainly limited to L1 (1-2 marks) because many responses discussed what their figures from parts ai to avi showed rather than whether it is, in general terms, important or wise to pay increasing dividends. While some learners raised valid points about needing to keep shareholders happy, very few said much about the problems caused by being too generous when paying dividends.

QUESTION 6

This question required learners to calculate the net present value and internal rate of return and then provide an evaluation of whether a business should take on the running of a theatre. The mean score was 15.59 marks (51.97%).

6a: A large number of responses achieved a very good score on this item although it was clear that many others struggled with finding the cash inflows and outflows and there were many scores of 11 or 12. Few responses failed to show a calculation of the depreciation and even fewer showed any attempt to adjust the outflows to reflect the fact that depreciation is not a movement of cash.

6b: while there was clear evidence that many learners had learned the formula for internal rate of return, even allowing for the 'own figure' rule, scoring was poor. Many learners put the £135 670 on top of the fraction rather than their NPV figure from (a).

6c: many responses achieved L2 scores (3-4 marks) by basing their recommendations on the figures arrived at in a and b and making the much-seen comments about the figures being estimates and there being other techniques that should be considered e.g. payback or average (accounting) rate of return.

On the positive side, a few responses calculated payback or average (accounting) rate of return correctly and others discussed factors (financial and non-financial) that would suggest that the theatre should not be taken over. This usually resulted in some L3 scores (5-6 marks) being achieved.

Advice To Centres

While it is clear that many centres and their learners have prepared thoroughly for their examination, there are a number of things that can be done to improve performance and scoring. These include:

- **Reading the question carefully:** there was clear evidence that many learners had not done so in both the numerical questions (notably Q2e, the cash received budget) and the written questions (Q1b and Q5b).

- **Showing workings:** there were many items that attracted multiple marks (most notably in Q1a, the statement of cash flows) where the inclusion of working might have enabled learners to obtain partial marks rather than none at all.

- **Providing correct labelling:** learners often arrive at correct figures and then are not awarded marks because of poor or missing labels. This was particularly evident in Q1a with the sections and subtotals in the statement of cash flows.

- **Presenting both sides of the argument:** every question will contain an evaluation, and it is rare that a situation will arise where the points made are all positive or all negative. One-sided arguments rarely allow the learner to achieve much more than half-marks.

- **Preparation of the whole syllabus is vital:** many learners had gaps in their knowledge that were exposed in some of the written questions – knowing definitions and being able to explain basic concepts is vital.

It was also evident from the poor quality of the break-even chart that many learners had not really practiced them because they had not really been assessed in recent series while others scored full marks.

- **Time Management is vital:** It is possible that the large number of blank (or virtually blank) Question 1 responses were not due to lack of knowledge but were the result of learners running out of time and directing their attention to completing the other 5 questions.

  In order to help address this issue, learners should be encouraged to complete practice activities under timed- conditions. This will help them to build up speed, 'exam stamina' and discipline with timings.