Examiner's Report

Exam Name and Code: FCS C 2026

Date of exam - 19 August 2026

Paper performance overview **What worked well with candidates and areas that they were weak on, how they responded.**
Overall, the paper was well attempted and candidates had clearly prepared for the areas flagged in the advance information. Sometimes it was apparent that candidates had anticipated the actual question, as there were several similar, if not identical, responses. Sometimes candidates simply wrote whatever the text said about an underlying item and struggled to gain many marks.
Question 1 performance (include each syllabus area covered)
This question focused on the accounting framework area of the syllabus. 1.1 The requirement to produce journals for a bonus issue, depreciation, a prepayment and an inventory adjustment was on the whole well done. Some candidates also produced journals for the tax adjustment which was not required. Common errors included assuming the cash on the prepayment hadn't been accounted for. If candidates had taken a step back they should have realised that it couldn't have been a prepayment in the first place if it hadn't already been paid. It is unlikely that cash will not already have been accounted for. Candidates often failed to split the depreciation charge out as per the policy in the advanced information. 1.2 Candidates were asked to produce a statement of financial position. Again this was well attempted and though only a few managed to balance it off, there were plenty of method marks. The main issue was that candidates did not show their workings and therefore missed out on follow through marks. 1.3 The requirement covered the Conceptual Framework and how tax was accounted for in both the statement of financial position and profit or loss. Again, a step back would have made candidates consider how it was a liability and an expense and to start with those definitions. Too many candidates talked in vague terms about faithful representation and relevance. This was probably the most poorly answered question on the paper.

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1.4 asked candidates to identify which areas required management to make judgements. As similar questions have appeared in the past, this was well attempted. Some scripts only contained a couple of examples and so marks were missed.

Question 2 performance (include each syllabus area covered)

This question focused on the assurance framework.

2.1 Involved identifying relevant payroll controls over ghost employees and incorrect payments from a small scenario. Those that read the scenario and applied it to the question performed well. Those that ignored the scenario and came up with random or textbook controls were not awarded any marks.

2.2 Asked candidates to describe tests of control over the items in the mini scenario. This was reasonably well answered. The main limitation was candidates who were unable to distinguish between tests of control which review the system by which the financial statements are prepared and substantive procedures which test the financial statements themselves.

2.3 Asked candidates to discuss directional testing and to come up with procedures for both under and overstatement of payroll costs. This question was extremely well attempted and candidates had clearly anticipated this requirement with many near identical answers.

2.4 covered the audit expectations gap and asked candidates to identify specific issues in both the advanced information and from quotes given in a new exhibit. Again, candidates had anticipated a question on this area but what was pleasing was the efforts to tie the theory into the specific misconceptions mentioned in the scenarios, meaning this was a very well attempted requirement.

Question 3 performance (include each syllabus area covered)

The question covered the Business Information and Performance syllabus area.

3.1 asked candidates to complete a cash flow forecast using a prepopulated spreadsheet. On the whole, this was well attempted with most errors being arithmetical. There was a significant minority of candidates who failed to recognise that depreciation and irrecoverable debts were not cash flows and therefore should not have been included in the workings.

3.2 asked candidates to identify and evaluate areas Teakmore could implement to improve its cash position. While most candidates came up with ideas, few were able to evaluate them (e.g. while a settlement discount may improve cash flow, it would reduce profitability). Extending an overdraft or taking out a short-term loan will not improve an organisation's cash position.

3.3 focused on government policy and how policy would impact Teakmore. On the whole, this was well answered, but not all candidates explained the impact of policy on demand for Teakmore's products, which would have been particularly important as the government was a major customer of the organisation.

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3.4 was a requirement to discuss the objectives of a transfer pricing system and suggest systems that Teakmore could implement. This was very well attempted and many candidates scored full marks with no particular problems identified.

Question 4 performance (include each syllabus area covered)

This question covered the sustainability and ethics syllabus.

4.1 Asked candidates to explain the environmental quality cost model and categorise expenditure accordingly. With the EQCM flagged in the advance information, candidates were thoroughly prepared for this requirement and most scored full marks with only occasional miscategorisation errors. Candidates were also required to explain the relationship between prevention costs and both failure costs and reputation, which again was well covered.

4.2 This requirement asked for KPIs relevant to environmental and social factors along with how they might be measured and why they would be relevant. In general it was badly answered.

Too many suggestions were vague. “Carbon footprint” is not a KPI, whereas CO2 emissions per item produced is. KPIs need to be quantifiable. Very few candidates paid any attention to how their suggestions would (or even could) be measured e.g. how would the data be captured, how would the calculation be worked out and few explained their appropriateness to Teakmore.

In addition, most candidates ignored social performance and exclusively focused on the environment.

Summary and helpful hints

- As with previous sittings, candidates need to make sure they fully understand the Conceptual Framework.
- Textbook regurgitation may pick up a couple of marks, but application to the scenario makes a pass.
- Write in full sentences and split separate points into separate paragraphs where possible.
- Read the requirements carefully and break them down. "Identify and evaluate" is not the same as "make a list."

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