



**Pearson LCCI
Bookkeeping and Accounting
(VRQ) Level 2
(ASE20093)**

**Examiners' Report
July 2016**

LCCI Qualifications

LCCI qualifications come from Pearson, the world's leading learning company. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information, please visit our website at www.lcci.org.uk.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk.

July 2016

Publication code: 52927_ER

All the material in this publication is copyright

© Pearson Education Ltd 2016

Introduction

As in the previous exam series, some candidates showed excellent skills in relation to accounting however they demonstrated limited understanding on the theoretical questions.

Over the years, accounting has become more than just completing transactions, it is about understanding the impact those transactions can have on different areas of a business. Candidates need to understand why the transactions take place and what the transactions mean. Throughout the paper some candidates answered the numerical tasks to a high standard although there were a small minority of candidates that struggled across all aspects of the paper.

Candidates struggled throughout this paper. Overall the quality of answers given throughout this exam were generally disappointing.

Question 1

Question 1(a) was a simple question asking candidates to identify the type of document, however only a small minority managed to identify the document and achieve the mark.

Question 1(b) was answered correctly by the majority of candidates.

(b) Calculate the amount to be entered at:

(2)

$$1940 - 816 = 1124$$

$$1124 - 34 = 1090$$

②

Question 1(c) The majority of candidates did not answer this question correctly. At this level it was expected the majority of candidates would have gained marks.

(c) State **one** reason why this document is produced.

(1)

To make sure the ^{bank} balance in bank statement is the same with the Bank account of ~~Lunar~~ Saturn Trading.

①

Question 1(d) Candidates struggled to identify the books of original entry and the documents. This should be an area that candidates achieve full marks as this is introduced on lower levels of the qualification.

(d) Complete the following table to show the document and book of original entry for each transaction.

(4)

Transaction date	Document	Book of original entry
10 January 2016	Debit Notes	Sales day book
16 January 2016	Credit Notes	Sales returns day book

③

Question 1 (e) (i) and (ii) Candidates struggled to understand the purpose of discount and a minority of candidates struggled to show knowledge on how discounts are entered in to the books of a business.

- l (ii) State how this discount will be recorded in the books of Lunar and the books of Saturn Trading:

(4)

	Account to be debited	Account to be credited
Books of Lunar	Discount allowed	Saturn Trading
Books of Saturn Trading	Lunar	Discount received



Examiner Comments

This area of the specification is an area where it is expected that most candidates would achieve good marks. It is essential that a thorough understanding of double entry bookkeeping is maintained.



Examiner Tip

Ensure candidates have a thorough understanding of business documents and how they are recorded in the books of a business.

Question 2

Question 2(a) was answered reasonably well by the majority of candidates. Very few candidates achieved full marks due to the descriptors used however, in general most attempted the question and gained some marks.

- (a) Prepare the corrected trade receivables control account at 31 December 2015.
Balance the account on that date and bring the balance down to 1 January 2016.

Trade Receivables Control Account

Date	Details	\$	Date	Details	\$
2015 1 Dec	Balance b/f	12,800	2015 31 Dec	Returns inwards day book	1,290
31 Dec	Sales Day book	21,780	31 Dec	Discounts allowed allowed (125 + 25)	150
31 Dec	Dishonoured cheque	250	31 Dec	Irrecoverable debts	400
31 Dec			31 Dec	Cash book (Bank)	11,450
			Dec 31	Journal (trade payables ledger set off)	350
			31	Balance c/f	21,190
		34,830			34,830
2016 Jan 1	Balance b/f	21,190			

Question 2(b) Candidates seemed to interpret this question incorrectly and went on to answer which account is debited and which account is credited and failed to explain when a contra can arise. Candidates need to read the question carefully and look for the key words such as explain.

- (b) Explain how a set off (contra entry) between the trade receivables ledger and the trade payables ledger can arise.

(2)

When ~~a~~ company A owes ~~another~~ company B after purchasing goods ^{on credit}, it would become ~~another~~ company B's trade debtors. At the same time, company B also owes company A ^{and become company A's trade debtor}. Thus, ^{same amount of} their debts can be ~~set off~~ ^{set off} and ~~they they they they~~ ~~owe debt another company~~.

The majority of candidates attempted Question 2(c) however, very few achieved full marks. It is important understanding the concepts of double entry and are able to correct errors in the accounting records.

(c) Prepare the journal entries to correct these errors.

Narratives are required.

(12)

Date	Details	Debit \$	Credit \$
2016			
Jan 1	Drawings	300	
1	Purchases		300
	Ashani withdraw goods from business.		
Jan 1	Suspense	245	
1	Sales		245
	credit entry is omitted.		
Jan 1	Motor vehicle repairs	45	
1	Motor vehicle		45
	Motor vehicle repair account is wrongly debited to Motor vehicle account		
Jan 1	Suspense	6	
1	T. Wong		6
	Amount of \$56 is wrongly posted as \$50		



Examiner Comments

Candidates lost valuable marks in this question through not understanding double entry bookkeeping.



Examiner Tip

Ensure candidates have practice at theoretical questions as well as numerical and understand command words such as explain.

Question 3

Question 3(a) was well answered by the majority of candidates. Some candidates missed marks due to not putting the correct headings.

(a) Prepare the manufacturing account for the year ended 31 December 2015.

(10)

**Poynter Manufacturing
Manufacturing Account
For the year ended 31 December 2015**

	\$	\$
Raw material		
Opening inventory ^{inventory} of raw materials	5000	5000
Add: Purchases of raw materials	64300	64300
		69300
Less: Closing inventory ^{inventory} of raw materials	6750	6750
Cost of raw materials consumed		62550
Add: Direct cost		
Factory wages		37450
Prime cost		100000
Add: Production overheads		
Factory power	2689	
Depreciation - factory machinery	7000	
Supervisors' salaries	18011	51400
Add: Opening work-in-progress	3211	3211
Less: Closing work-in-progress	4611	(1400)
Net profit		50000

9

On Questions 3(b) good knowledge was shown however some candidates lost marks due to incorrect descriptors used.

- (b) Prepare the rent received account for the year ended 31 December 2015, clearly showing any transfers to the income statement. Balance the account on 31 December 2015 and bring the balance down to 1 January 2016.

(4)

Rent Received Account

Date	Details	\$	Date	Details	\$
2015 31 Dec			2015 20 Dec	Balance b/d	6050
20 Dec	Profit & Loss	6600	31 Dec	Bank	1100
31 Dec	Balance c/d	550			
		7150			7150
			2016 1 Jan	Balance b/d	550

On Question 3 (c) the lack of bookkeeping understanding lost candidates marks and again the wrong account details were used.

- (c) Prepare the account of Mair Choi **and** the irrecoverable debts account for the month of December 2015, clearly showing any transfers to the income statement.

(4)

Mair Choi Account

Date	Details	\$	Date	Details	\$
2015 20 Dec	Balance b/d	1750	2015 31 Dec	Irrecoverable Debts	1750

Irrecoverable Debts Account

Date	Details	\$	Date	Details	\$
2015 31 Dec	Mair Choi	1750	2015 31 Dec	Profit & Loss	1750

On Question 3(d) candidates attempted the question however marks were lost due to the opening balances being entered incorrectly and the descriptors used were incorrect.

- (d) Prepare the subscriptions account for the year ended 31 December 2015.
Balance the account on that date and bring the balances down to 1 January 2016.

Subscriptions Account

Date	Details	\$	Date	Details	\$
2015 Jan 1	Balance b/f	230	2015 Jan 1	Balance b/f	300
Dec 31	Income and expenditure	7390	Dec 31	Bank Bank	7500
Dec 31	Balance c/d	420	Dec 31	Bad debts	30
			Dec 31	Balance c/d	210
		8040			8040
2016 Jan 1	Balance b/d	210	2016 Jan 1	Balance b/d	420



Examiner Comments

Overall a good attempt by the majority of candidates however, the bookkeeping element to this question proved difficult for some candidates.



Examiner Tip

Ensure candidates have a thorough understanding of bookkeeping and they practice questions that show they have understanding and not just able to complete calculations correctly.

Question 4

It was expected that candidates would have achieved strong marks on this section as previous exams have shown candidates understand partnership accounts, however 4(a), which was a simple calculation showed some candidates achieving no marks. In 4(b) and (c), candidates appeared not to understand the task and some candidates did not attempt the question. Question 4(d)(i) and (ii) were attempted by the majority of candidate and a high proportion of candidate achieved full marks in 4d(ii).

- (a) Prepare the appropriation account for the partnership for the year ended 29 February 2016.

(3)

**Mary, Martha and Margaret
Appropriation Account
For the year ended 29 February 2016**

	\$
Net profit	75000
Profit shared =	
- Mary ($\frac{1}{3}$)	25000
- Martha ($\frac{1}{3}$)	25000
- Margaret ($\frac{1}{3}$)	25000
	75000
	3

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

- (b) Prepare the capital account of Mary for the year ended 29 February 2016.
Balance the account on that day and bring the balance down to 1 March 2016.

(3)

Capital Account – Mary

Date	Details	\$	Date	Details	\$
2015	Bank	3200	2015	Bank	
			Mar 1	Balance b/d	10000
2016		20000			
Feb 29	Balance c/d	16800	Aug 1	Bank	10000
		20000			20000
			Feb 29	Profit transferred	25000
			2016		
			Mar 1	Balance b/d	16800
					20000

3

- (c) Prepare the current accounts of Martha and Margaret for the year ended 29 February 2016. Balance the accounts on that day and bring the balances down to 1 March 2016.

(6)

Current Account - Martha

Date	Details	\$	Date	Details	\$
2016			2016	profit shared	
Feb 29	Drawings	2600	Feb 29	B/d	25000
Feb 29	Drawings	395			
Feb 29	Balance c/d	22005			
		25000			25000
			2016		
			Mar 1	Balance b/d	22005

(4)

Current Account – Margaret

Date	Details	\$	Date	Details	\$
2016 Feb 29	Drawings	1650	2016 Feb 29	profit shared	25000
20 Feb 29	Balance c/d	24100	Feb 29	rental payment	750
		25750			25750
			2016 Mar 1	Balance b/d	24100

②

- (d) (i) Explain the procedures the partnership could include in its agreement in order to address these two concerns.

(4)

- 1 To set up the agreement about interests on drawings so as to ~~let~~ ^{pay} the partners ~~draw~~ ^{interests} ~~drawings~~ according to their different amount of drawings.
- 2 To set up the agreement about salaries to partners so as to give the active partners ~~no~~ salaries that they deserve to have.

- (ii) Complete the table below, with a tick (✓), to show how **each** of these procedures would be shown in the books of account of the partnership for the year ended 28 February 2017.

(4)

	Current Account		Appropriation Account	
	Debit	Credit	Debit	Credit
1	✓			✓
2		✓	✓	



Examiner Comments

Candidates did not perform strongly on this question. Having seen previous exam questions on partnerships answered correctly it was disappointing to see this standard.



Examiner Tip

Candidates need to understand how to apply their knowledge to different types of questions and understand that using the SAM is only a practice resource and it is not necessarily going to be how the exam is set out.

Question 5

The majority of candidates achieved half marks however the business entity concept was an area candidates struggled to understand.

(a) Explain the meaning of each of the following accounting concepts.

(i) Business entity

Business entity is an ~~a~~ independent legal person. All possessions or activities of the business entity are separate from those of the owner. All personal assets and liabilities of the owner should not be recorded in the books of a business entity. (2)

(ii) Going concern

The reporting entity are assumed to operate continuously in the foreseeable future. Thus, all accounting figure should not be recorded at net realisable value. (2)

A good attempt was made by the majority of candidates on Question 5(b).

(b) Calculate the following ratios for the year ended 31 December 2015.
Clearly show the formula used.

(i) Gross profit as a percentage of revenue

(2)

$$\begin{aligned} &= \frac{\text{Gross profit}}{\text{Revenue}} \times 100\% \\ &= \frac{262500}{875000} \times 100\% \\ &= 30\% \end{aligned}$$

(ii) Profit for the year as a percentage of revenue

(2)

$$\begin{aligned} &= \frac{\text{profit for the year}}{\text{revenue}} \times 100\% \\ &= \frac{78750}{875000} \times 100\% \\ &= 9\% \end{aligned}$$

(iii) Return on capital employed

(2)

$$\begin{aligned} &= \frac{\text{profit for the year}}{\text{Capital employed}} \times 100\% \\ &= \frac{78750}{984375} \times 100\% \\ &= 8\% \end{aligned}$$

Question 5 (c) was poorly answered, again possibly due to the theoretical nature of the question.

(c) Explain **one** reason for the difference between **each** of the two business's ratios.

(i) Gross profit as a percentage of revenue

The selling price of Robin's company may be higher than that of the Jay Bird's company. ~~the~~

The cost of goods of Robin's company may be lower than that of the Jay Bird's company.

(ii) Profit for the year as a percentage of revenue

In Robin's company, the expenses may be too large. This lowers the rate of profit for the year as a percentage of revenue.

In Jay Bird's company, he is successful in controlling the expenditure and a stable income. So, its profit for the year as a percentage of revenue is higher than that of Robin's.

(iii) Return on capital employed

In this ratio, Robin's has a higher ratio than Jay Bird by 4%, ~~the~~ the capital in Robin's company is much higher than Jay Bird's.

Jay Bird may not put too much capital in his business.

The majority of candidates achieved high marks on Question 5(c) with very few not achieving any.



Examiner Comments

Good calculations skills shown however, candidates must develop their skills of evaluating and explaining.



Examiner Tip

Ensure candidates have practice at all areas of the specification to give them the best chance of answering the questions. Give candidates questions that ask them to evaluate information and check they are covering the key areas to ensure they have the opportunity of gaining marks.

Paper Summary

The areas of weakness identified throughout the paper relate to the written tasks. It is therefore recommended that candidates and centres practice the written elements as well as the numerical elements of the syllabus.

It has also been identified that candidates need a thorough understanding of double entry bookkeeping before attempting the exam. This exam paper has shown that examiners can ask part or full questions in order to examine understanding of bookkeeping.

Ensure the SAMs are used only as part of a revision exercise and not as a study guide. Centres must make sure all the syllabus is taught and understood before entering candidates into the exam.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>