



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

**Examiner's Report
April 2017**

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Introduction

Pearson (LCCI) redeveloped the new Level 2 Certificate in Bookkeeping and Accounting (VRQ) (ASE20093) specification in January 2015 as a part of the Finance and Quantitative suite of qualifications from Level 1 to Level 4, assessed for the first time in November 2015. The purpose of this qualification is to give candidates the essential skills and knowledge of bookkeeping and accounting.

The assessment is of 100 marks comprising a total of five questions. All the questions are compulsory.

This assessment covered these topics:

- incomplete records
- partnership accounts
- manufacturing business
- accounting entries for the disposal of non-current assets
- accounting for irrecoverable debts and allowance for doubtful debts
- trade receivables ledger control account
- interpretation of accounting ratios.

Question 1 was a 30-mark question that required the calculation of sales and purchases from given data, the preparation of two expense ledger accounts and the preparation of an income statement.

Most candidates made a reasonable attempt at the derivation of sales and purchases but there were relatively few fully correct solutions. Common omissions included the cash sales and cash purchases. The ledger accounts were prepared to a reasonable standard and nearly all candidates scored high marks for the income statement although many did omit the discount received.

Question 2 was a 20-mark question that required an explanation of the benefits of forming a partnership and the preparation of an appropriation account and a current account.

The explanations provided by candidates were very disappointing with very few able to identify and develop a benefit. Most candidates were able to prepare both the appropriation account and the current account to a high standard and there were no common errors.

Question 3 was a 20-mark question that tested the classification of cost and the treatment of inventories of a manufacturing business. Candidates were then required to prepare the ledger accounts to deal with the annual transactions related to the business's machinery.

Most candidates were able to classify the items of expenditure as direct or indirect costs but few were able to state correctly how the types of inventory were treated in the financial statements. The cost and disposal accounts were completed satisfactorily but the calculation of the depreciation expense for the year was calculated and entered correctly by very few candidates. Relatively few candidates were able to calculate the carrying value of the machinery correctly.

Question 4 was a 20-mark question that required an explanation of the allowance for doubtful debts and the preparation of ledger accounts to record irrecoverable debts and the allowance. Candidates were also required to prepare a trade receivables ledger control account.

Few candidates were able to provide an adequate explanation but most were aware of the accounting concept being applied. The account to record the irrecoverable debt was prepared to a reasonable standard but very few candidates were able to prepare the allowance for doubtful debts correctly. The control account was prepared to a reasonable standard. Common errors included posting the cash sales and the incorrect treatment of the transfers.

Question 5 was a 10-mark question that required candidates to state two profitability ratios, show the formula for selected ratios and analyse some information.

Nearly all candidates identified two profitability ratios correctly and most were able to list the required formulae. Responses for the analytical questions were disappointing with few candidates being aware of the effect on the liquidity ratios of a reduction in inventory or able to provide a reason for the decrease in the bank balance.

Question 1 (b)



Examiner Comments

Candidates are advised to enter date, details and amount when preparing ledger accounts.



Examiner Tip

Remember to present your work neatly.

An excellent response is shown below, which has gained all 8 of the available marks.

- (b) Prepare the following accounts for the year ended 31 March 2017. Show any transfers to the income statement, balance the accounts on that date and bring the balance down on 1 April 2017.

(i) **General Expenses Account**

(4)

Date	Particular	\$	Date	Particular	\$
2016 Apr 1	Prepaid b/d	590			
2017 Mar 31	Bank	13,130	2017 Mar 31	Profit & Loss	13,560
Mar 31	Cash	520	2017 Mar 31	Prepaid c/d	680
		14,240			14,240
2017 Apr 1	Prepaid b/d	680			

(ii) **Wages Account**

(4)

Date	Particular	\$	Date	Particular	\$
2017 Mar 31	Bank	18,220	2016 Apr 1	Accrued b/d	1,345
			2017 Mar 31	Profit & Loss	18,480
Mar 31	Accrued c/d	1,605			
		19,825			19,825
			2017 Apr 1	Accrued b/d	1,605

A poor response is shown below that has lost marks due to incorrect and omitted labels and dates.

- (b) Prepare the following accounts for the year ended 31 March 2017. Show any transfers to the income statement, balance the accounts on that date and bring the balance down on 1 April 2017.

(i) **General Expenses Account**

			\$			(4) \$
1 April 2016	Op Prepaid	X	590			
	Cash A/c	X	13130			
						13040
				31 March 2017	Cl Prepaid X	680
			13720			13720
1 April 2017	Op Prepaid	X	680			

(ii) **Wages Account**

			\$			(4) \$
				1 April 2016	Op Owing	1345
X	Cash A/c		18220			
				31 March 2017	Cl Balance	18480
31 March 2017	Cl Owing		1605			
			19825			19825
1 April 2017	Op Balance		18480		Cl Owing	1605

Question 4 (c) (i)



Examiner Comments

Be prepared to prepare control accounts.



Examiner Tip

Ensure that you complete all the entries.

An excellent response is shown below, which has made all entries correctly.

- (c) Prepare the following accounts for the year ended 31 December 2016 showing any transfers to the income statement. Balance the accounts on that date and bring the balances down on 1 January 2017.

(i)

Trade Receivables Ledger Control Account

Date	Particular	£	Date	Particular	£
2016 Jan 1	balance b/d	66,800	2016 Dec 31	Discount allowed (Cash book)	4,750
Dec 31	Sales day book	180,450	Dec 31	Bank (Cash book)	186,160
Dec 31	Bank (Dishonoured cheque) (Cash book)	400	Dec 31	Contra (Journal)	1,840
			Dec 31	Irrecoverable debt (Journal)	2,206
			Dec 31	balance c/d	53,400
		248,350			248,350
2017 Jan 1	balance b/d	53,400			

The response below has omitted the opening balance and irrecoverable debt.

- (c) Prepare the following accounts for the year ended 31 December 2016 showing any transfers to the income statement. Balance the accounts on that date and bring the balances down on 1 January 2017.

(i) **Trade Receivables Ledger Control Account**

B/P 12
(6)

Date	particular	\$	Date	particular	\$
2016 31 Dec	Sales Day Book	180,950	2016 31 Dec	Cash Book	4,750
			31 Dec	Cash Book	186,160
			31 Dec	General Journal	1,840
2016 31 Dec	Balance cld	(11,800)			
		192,750			192,750
			2017 1 Jan	Balance bld	11,800



Paper Summary

Candidates should:

- **Ensure that they are fully prepared.**
- **Read the paper before starting to answer the questions.**
- **Write neatly.**
- **Show workings where appropriate.**
- **Read appendix 1 of the specification.**
- **Be able to answer written questions.**
- **Manage their time efficiently.**
- **Practise using selected assessment materials.**

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>