



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

**Examiner's Report
March 2017**

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Introduction

Pearson (LCCI) redeveloped the new specification at Level 2 Certificate in Bookkeeping and Accounting (VRQ) (ASE20093) in January 2015 as a part of Finance and Quantitative suite of qualifications from Level 1 to Level 4 and assessed 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 of a total of 5 questions. All the questions are compulsory.

This assessment covered these topics:

- Errors, their correction by journal entries and the suspense account.
- Limited company accounts.
- Partnership accounts.
- Non-profit making organisations.
- Calculation and interpretation of accounting ratios.

Question 1 was a 20 mark question which required the identification of two errors not affecting the trial balance, the correction of errors using journal entries and the preparation of the suspense account.

Most candidates were able to identify the required errors. Performance on the journal was mixed with very few candidates scoring full marks. The most common mistake was made with error A with many reversing the entries. Many candidates lost marks due to incorrect labelling. The suspense account was prepared well by the majority of candidates.

Question 2 was a 15 mark question which required the preparation of the statement of changes in equity. Candidates were then asked to describe limited liability and state features of preference shares and public limited companies.

The statement was very poorly prepared by nearly all candidates and this is clearly an area in which more study is required. The written sections of the question were reasonably answered with good descriptions of limited liability and most providing the required features of preference shares. The features of public limited companies were not so well related with most just stating that shares can be offered to the public but not providing a second feature.

Question 3 was a 30 mark partnership question. Candidates were required to prepare a revaluation account, a capital account and the statement of financial position. There was also some written questions testing knowledge of partnerships.

The revaluation account was answered to a reasonable standard. Most candidates gained some of the available marks for the capital account but very few gained full marks. Common errors included the incorrect treatment of goodwill and inclusion of the current account. The statement of financial position was well prepared. Common errors included the failure to deal with the payment from Charles and the incorrect treatment of the irrecoverable debt. Parts (d) and (e) were poorly answered with few candidates demonstrating that they had the required knowledge.

Question 4 was a 20 mark question which required the preparation of an income statement, the subscriptions account and the income and expenditure account. Candidates were also required to explain the treatment of subscriptions in advance and arrears.

The income statement was not well answered with many candidates failing to adjust the purchases figure as required. Also many incorrectly included subscription income. The actual subscriptions account, however, was generally well prepared. Most candidates produced a reasonable income and expenditure account. Marks were lost due to the omission or incorrect treatment of depreciation and a significant number of candidates labelled the surplus as profit and were unable to access these marks accordingly. The required subscription explanation was generally well answered.

Question 5 was a 15 mark question which required the calculation of profitability ratios for two years for a company and their analysis. Candidates were then required to state three liquidity ratios.

The calculations were well answered although some candidates failed to give their answers to two decimal places as was required. The analysis was poorly answered with very few candidates providing a reasonable answer. Performance for part (c) was mixed – some candidates provided three ratios but some merely gave formulae which did not satisfy the requirement of the question.

Question 1 (b)



Examiner Comments

Candidates are advised to produce neat responses that address the requirements of the question.



Examiner Tip

Remember to identify the account name and amount when producing a journal to correct errors.

An excellent response is shown below which has gained all 11 of the available marks.

(b) Prepare journal entries to correct all the errors. Narratives are **not** required.

(11)

Account	Debit \$	Credit \$
A) Gayele	360 l.	
Gail		360 l.
B) Sales	100 l.	
Suspense		100 l.
C) Purchases	485 l.	
George		485 l.
D) Bank	1640 l.	
Suspense		1640 l.
E) Suspense (86 x 2)	172 l.	
Interest Payable		86 l.
Interest Receivable		86 l.

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A poorer response is shown below which has gained only 6 of the available marks.

(b) Prepare journal entries to correct all the errors. Narratives are **not** required.

(11)

	Account	Debit \$	Credit \$
7	Garl's account	360	
	Gayle's account		360
3	Sales	1001	
	Bank		100
1	Purchase (credit)	4851	
	George		4851
1	Cash	1640	
	<u> </u>		
11	Interest received		861
	Suspense	1721	86
	Interest payable	172	861

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Motor Vehicle Account

Date 2016	Details	\$	Date 2016	Details	\$
1 Jan 16	Balance b/d	6000			
Dec 31	Bank	9000	Dec 31	Balance c/d	15000
		<u>15000</u>			<u>15000</u>
2017 Jan 1	Balance b/d	15000	(-)		

Question 2 (b)



Examiner Comments

Be prepared to answer written questions.



Examiner Tip

Ensure that your written answers are neatly presented and are relevant to the question being asked.

An excellent response is shown below which has gained all of the 6 available marks.

(b) Describe the meaning of the term **limited liability**.

(2)

The shareholders, the owners of the Ltd company had limited liability, their liability in the case of bankruptcy of the company is limited ^{analogically} to the ^{properly pronounced} amount value of shares they bought only! ~~He doesn't~~ ^{They are not} responsible for the ~~undebted~~ ^{further debts or other obligations} Shareholders liability extent to the value of their shares.

(c) State **two** features of:

(i) preference shares

(2)

- 1 Have no voting right the owners of these shares (shareholders) and their dividend is paid prior to ordinary shareholders dividend.
- 2 Have a fixed dividend! Their dividend is constant.

(ii) public limited companies (plc).

(2)

- 1 Must have minimum share capital \$50,000! and minimum ^{of number} 2 directors to coordinate the company.
- 2 The plc shares can be shared through the Stock of Exchange!

A weak response is shown below which does not fully address the question.

(b) Describe the meaning of the term **limited liability**.

(2)

Limited liability is the owner is not need to bear the debt even the company would be closed. The company is the business entity; it owns property. 0

(c) State **two** features of:

(i) preference shares

(2)

- 1 The owner cannot to ^{take a} vote in the general annual meeting.
- 2 They can get a fixed percentage rate [?] on annual at the end of financial period.

(ii) public limited companies (plc).

(2)

- Therefore
- 1 No upper limit of the owner
 - 2 They can issue the share capital to the public
But the company need to pay high taxation.

(Total for Question 2 = 15 marks)

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Question 3 (c)



Examiner Comments

Learn the layouts of the financial statements and remember to use IAS terminology.



Examiner Tip

When preparing financial statements ensure that you present your work in the prescribed format.

An excellent response is shown below which has gained full marks.

Amanda, Barry and Charles Statement of financial position at 1 February 2017		
Non-Current Assets	\$	\$
Property, Plant and Equipment		195,000
Motor Vehicle		14,300
		<u>209,300</u>
Current Assets		
Inventory	17,463	
Trade Receivables (29444-650)	28,794	
Cash at bank $(14,119 + 30,000 + (40000 \times 1/5))$	52,119	98,376
	<u>X</u>	<u>307,676</u>
Equity		
Capital Amanda	78,895	
Barry	98,895	
Charles	44,300	222,090
Current - Amanda	15,840	
Barry	16,910	32,750
		<u>254,840</u>
Current Liabilities		
Trade Payables		52,836
	<u>X</u>	<u>307,676</u>

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A weaker response is shown below which scores 6 Of the available 10 marks.

Amanda, Barry and Charles
Statement of financial position at 1 February 2017

Non-current asset	
Property, plant and equipment	195,000
Motor vehicle	14,300
current asset	X
Inventory	17,463
Trade receivable (29,444 - 650)	28,794
Cash at bank	14,119

Capital and equity

Capital: Amanda	114735
Barry	135805
Charles	30000

Non-current liabilities

Trade payables	1 52836
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Paper Summary

Candidates should:

- Ensure that they are fully prepared
- Read the paper before starting to answer
- Write neatly
- Show workings where appropriate
- Read appendix 1 of the specification
- Be able to answer written questions
- Manage their time efficiently
- Practice 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>