



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

**Examiners' Report
January 2017**

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March 2017

Publication code: 54249_ER

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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 not affecting the trial balance.
- Accounting entries for the acquisition and disposal of non-current assets.
- Calculation of equity and preparation of a statement of financial position for a sole trader.
- Partnerships – reasons for forming, capital accounts, appropriation account, current account.
- Partnerships – treatment of goodwill.
- Calculation and interpretation of accounting ratios.
- Non-profit making organisations – subscriptions and trading account.

Question 1 was a 17 mark question which firstly required candidates to state the type of error made in four situations. Candidates were then required to complete four ledger accounts to show the postings for the acquisition and disposal of motor vehicles and state how the resulting profit or loss would be treated in the income statement.

Most candidates were able to state the correct errors with the majority giving at least three correctly, and a small minority scoring full marks. Candidates can score higher marks if they practice posting to ledger accounts as this qualification requires a high standard. Double entry skills were not as clearly evidenced as other accounting and bookkeeping skills and candidates should give more time to this in their studies. Very few candidates correctly stated the required section of the income statement in their response to part (c).

Question 2 was a 23 mark question which required the calculation of the equity of a sole trader from given information and then the preparation of the statement of financial position using further given information.

The calculation of equity was well answered with nearly all candidates aware that the calculation required the subtraction of the liabilities from the assets and a significant number scored full marks. The statement of

financial position was generally well prepared. Marks were often lost, however, due to the incorrect treatment of depreciation and the bank loan. Some candidates lost marks due to incorrect labelling as International Accounting Standards terminology must be used.

Question 3 was a 26 mark partnership question. Candidates were required to explain an advantage and disadvantage of two sole traders forming a partnership and then to prepare capital accounts, an appropriation account and a current account. Knowledge of the resultant goodwill was also tested.

The responses to the required explanation were limited and showed a lack of knowledge and understanding, with a significant number of candidates not attempting the question. Part (b) was reasonably well answered although marks were often lost due to incorrect labelling. The appropriation account was well prepared with a significant number of candidates scoring full marks. The preparation of goodwill accounts require further practice during study time. It was also noted that very few candidates were able to state how goodwill should be treated and this should be given more teaching time to ensure students have the required knowledge to answer these questions on this area of the specification.

Question 4 was a 14 mark question which tested the computation of two profitability ratios and three liquidity ratios and then required candidates to analyse two of the liquidity ratios.

The computation of the ratios was well answered. Candidates are again reminded that it is essential to use the International Accounting Standards terminology throughout the paper as many candidates lost marks when completing the formula section due to using incorrect terms. The few candidates that answered the analysis element needed to give more detail and as a result understanding was not evident.

Question 5 was a 20 mark question based on a non-profit making organisation which firstly tested subscription accounts. Candidates were then required to prepare an account to derive the purchase figure from given information and finally to prepare the trading account.

Part (a) required an explanation but very few candidates provided explanations which demonstrated understanding. The life subscriptions account lacked clear preparation with candidates losing marks for incorrect entries. Labelling required more practice. The procedure to calculate the purchases was attempted to a reasonable standard with most candidates making some correct entries but there were relatively few fully correct accounts. The trading account was generally well prepared although a significant number of candidates omitted the returns outwards.

Question 1 (b)



Examiner Comments

Candidates are advised to ensure that they have the required double entry skills.



Examiner Tip

Remember to enter date, details and amount when preparing a ledger account and remember to use International Accounting Standards terminology.

An excellent response is shown below which has gained 11 of the available 12 marks. One mark has been lost due to incorrect labelling.

Motor Vehicle Account

Date	Details	\$	Date	Details	\$
1 Jan 16	Balance b/d	6000	2016 ✓ 31 Dec	Disposal ✓	6000 ✓
2016 ✓ 31 Dec	Disposal	(2500)	2016 ✓ 31 Dec	Balance c/d ✓	9000
2016 ✓ 31 Dec	Bank	6500			
		15000			15,000
2017 ✓ 1 Jan	Balance b/d ✓	9000			

Accumulated Depreciation Account

Date	Details	\$	Date	Details	\$
2016 31 Dec	Disposal [w1]	4102	1 Jan 16	Balance b/d	4102
31 Dec 31 Jan	Balance c/d	2250	2016 31 Dec	Profit and Loss A/c	2250
		<u>6352</u>			<u>6352</u>
			2017 1 Jan	Balance b/d	2250

Bank Account

Date	Details	\$	Date	Details	\$
1 Jan 16	Balance b/d	8920	2016 31 Dec	Motor vehicle	6500
		<u>2</u>	2016 31 Dec	Balance c/d	2420
		8920			<u>8920</u>
2017 1 Jan	Balance b/d	2420			

Disposal Account

Date	Details	\$	Date	Details	\$
2016 31 Dec	Motor vehicle	6000	2016 31 Dec	Motor vehicle	2500
2016 31 Dec	Profit and Loss A/c	602	2016 31 Dec	Accumulated depreciation	4102
		<u>6602</u>			<u>6602</u>

A weaker response to the same question is shown below.

Motor Vehicle Account

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

Accumulated Depreciation Account

Date	Details	\$	Date	Details	\$
2016 Dec 31	Income statement	5727	1 Jan 16	Balance b/d	4102
			31 Dec 16	Depreciation $(9000 - 2500) \times 25\%$	16250
		5727			5727

Bank Account

Date	Details	\$	Date	Details	\$
1 Jan 16	Balance b/d	8920	31 Dec 16	Motor vehicle	9000
31 Dec 16	Balance c/d	80			
		9000			9000
			2017 Jan 1	Balance b/d	80

Disposal Account

Date	Details	\$	Date	Details	\$
2016 Dec 31	Motor vehicle	6000	2016 Dec 31	Bank	2500
			Dec 31	Balance c/d	3500
		6000			6000
2017 Jan	Balance b/d	3500			

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Question 2 (b)



Examiner Comments

When preparing a statement of financial position use the prescribed layout.



Examiner Tip

Ensure that you use the recognised International Accounting Standards terminology.

An excellent response is shown below which has gained 16 of the available 20 marks. Full marks could have been gained had the bank loan been treated correctly and the correct terminology used for the prepayment and accrual (other receivables and other payables).

(b) Prepare Mazy's statement of financial position at 31 July 2016.

(20)

Mazy Statement of financial position at 31 July 2016			
	Costs \$	Accumulated Depreciation \$	Carrying Value \$
<u>Non-current Assets</u>			
Fixtures and fittings	27,500	10,000	17,500
Motor Vehicle	40,000	19,000	21,000
	<u>67,500</u>	<u>29,000</u>	<u>38,500</u>
<u>Current Assets</u>			
Inventory		5,700	
Trade Receivables	22,700		
Less: Allowance for doubtful debts	(681)		
		<u>22,019</u>	
Prepaid Telephone expenses		550	
Cash in hand		150	
Total Current Assets			<u>28,419</u>
Total Assets			<u>66,919</u>
<u>Equity and Liabilities</u>			
Opening Balance		30,000	
Profit for the year (25% x 60,000)		<u>15,000</u>	
		<u>45,000</u>	
Less: Drawings		(9,000)	
Total Equity			<u>36,000</u>
<u>Liabilities and Expenses</u>			
<u>Non-current Liabilities</u>			
Bank Loan (5 years)			10,000
<u>Current Liabilities</u>			
Trade Payables		19,000	
Accrued advertising expenses		669	
Bank overdraft		<u>1,250</u>	
			<u>20,919</u>
Total Equity and Liabilities			<u>66,919</u>

Question 3 (e)



Examiner Comments

When preparing a goodwill account ensure that you enter the date, detail and amount.



Examiner Tip

Present your work neatly using the proforma account (if given).

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

(e) Prepare the goodwill account.

(4)

Goodwill Account					
1 Jan 17	Capital - Rudy ($\frac{3}{5} \times 4000$)	2,400	1 Jan 17	Capital - Rudy ($\frac{3}{5} \times 4000$)	2,800
1 Jan 17	Capital - Lucy ($\frac{2}{5} \times 4000$)	1,600	1 Jan 17	Capital - Lucy ($\frac{2}{5} \times 4000$)	1,200
		4,000			4,000

A weak response is shown below which does not gain any marks.

(e) Prepare the goodwill account.

(4)

Goodwill Account					
Date	details	\$	Date	details	\$
1 Jan 2017	Bal c/d	4000	1 Jan 2017	Good will - Ruby	2800
			1	Goodwill - Lucy	1200
		4000			4000
			2 Jan 2017	Bal b/d	4000

Question 5 (a)



Examiner Comments

Ensure that you have the knowledge to answer written questions.



Examiner Tip

Present your answer to an 'explain' question in a methodical manner.

An excellent response to a generally poorly answered question is shown below. Full marks have been awarded as the candidate has stated that the subscriptions are liabilities / assets and have been collected in advance / have not been collected in the period.

5 (a) Explain the accounting treatment of:

(i) subscriptions in advance

Subscriptions in advance are Liabilities ^{of the club} because the subscriptions ⁽²⁾ ~~had~~ been received in advance but ^{the club} ~~had~~ not provide the services to the ^{club} members. So, it is shown ^{in the} ~~at~~ current liabilities section of the Balance sheet and it is deducted ~~is~~ from the subscriptions actually ^{received} ~~paid~~ during the year.

(ii) subscriptions in arrears.

Subscriptions in arrears are assets ⁽²⁾ of the club because the service ⁽²⁾ ~~has~~ been provided to the members but the subscriptions had not been received. Therefore, it is ^{shown} ~~at~~ in the current assets section of the balance sheet and it should be added to the subscriptions actually received during the year.

A more typical response to a generally poorly answered question is shown below. Note the difference in the detail of the explanation.

5 (a) Explain the accounting treatment of:

(i) subscriptions in advance

(2)

it refers to subscriptions that are ^{prepaying or} receiving in advance (~~prepayment~~) for the ^{current} accounting period.

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(ii) subscriptions in arrears.

(2)

It refers to subscriptions that are ^{accruing} ~~owing or~~ or owing for this ^{current} ~~current~~ accounting period.

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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>