

Level 3 Certificate in Accounting



International
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Annual Qualification Review

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INTRODUCTION

The annual qualification review provides qualification-specific support and guidance to centres. This information is designed to help teachers preparing to teach the subject and to help candidates preparing to take the examination.

The reviews are published in September and take into account candidate performance, demonstrated in both on demand and series examinations, over the preceding 12 months. Global pass rates are published so you can measure the performance of your centre against these.

The review identifies candidate strengths and weaknesses by syllabus topic area and provides examples of good and poorer candidate responses. It should therefore be read in conjunction with details of the structure and learning objectives contained within the syllabus for this qualification found on the website.

The review also identifies any actual or proposed changes to the syllabus or question types together with their implications.

PASS RATE STATISTICS

The following statistics are based on the performance of candidates who took this qualification between 1 October 2007 and 30 September 2008.

Global pass rate 54.04%

Grade distributions

Pass 14.77%

Credit 18.98%

Distinction 20.28%

GENERAL STRENGTHS AND WEAKNESSES

Strengths

- style and presentation
- time allocation (so far)
- basic costing

Weaknesses

- lack of knowledge of Level 1 and 2 topics explicitly required to progress to Level 3
- written sections often unanswered or dealt with by stating knowledge not answering the question

TEACHING POINTS BY SYLLABUS TOPIC

Syllabus Topic 1: Levels 1 and 2 revisited

Candidates must be aware that all aspects of the Level 1 and 2 syllabuses are regularly examined at Level 3.

The examiners expect candidates to be able to develop their knowledge of basic accounting issues at the higher levels required at Level 3.

They are also very aware that other sections of the syllabus relate to Levels 1 and 2 - and again more advanced questions will be set based on Level 1 and 2 topics.

Syllabus Topic 2: Valuation of stocks

Layout and clear logic are vital here.

It is likely questions will include a written section and may well be combined with other syllabus topics (e.g.) valuation of fixed assets.

Syllabus Topic 3: Valuation of fixed assets

Similar comments as with syllabus topic 2.

Syllabus Topic 4: Partnerships

Candidates must do exactly as set and ensure they lay out in a clear and understandable way. Questions will often test basic book-keeping as well as its application to partnerships.

Questions often link with other syllabus topics (e.g. Companies).

Syllabus Topic 5: Companies

This is a more technical area and candidates need to be aware of the importance of knowing the precise logic behind areas explicit in the Level 3 syllabus.

Once again questions are likely to test basic book-keeping in combination with more testing areas.

Syllabus Topic 6: Accounting for groups of companies

As this is a syllabus topic not covered at lower levels questions will not test more than what is explicit in the Level 3 syllabus.

Any question is likely to revolve around the preparation of group accounts although candidates may be asked only to calculate specific items for inclusion in group accounts.

Syllabus Topic 7: Cash flow statements

Similarly to syllabus topic 6 this is a syllabus topic not covered at lower level.

As with syllabus topic 6 any question is likely to revolve around the preparation of cash flow statements or the calculation of specific items (as sections) for inclusion in cash flow statements.

Syllabus Topic 8: Accounting ratios

All ratios examinable at Level 2 are highly likely to be examined again here.

Candidates are likely to be asked to interpret and discuss ratios (especially those tested at lower levels).

Questions are likely to involve more than just routine calculation of ratios.

Syllabus Topic 9: Budgetary control

Cash budgets must be laid out in a clear way showing opening and closing balances clearly.

Budget trading and profit and loss and balance sheets should be prepared in the same way - and using the same double entry principles, as actual profit and loss accounts and balance sheets.

Syllabus Topic 10: Introduction to decision making

As this syllabus topic is not covered at the lower levels, the items in the syllabus will be explicitly tested. The way in which the topic is tested will vary from time to time so centres should ensure that their candidates have a through understanding of the topic and not just used to questions being set in a particular way.

Syllabus Topic 11: Concepts and accounting framework

Questions are likely to be written but the examiners

- (i) are unlikely to set a complete question on this section
- (ii) understand that English is not the first language of many candidates and bear this in mind in marking.

FURTHER GUIDANCE

- layout of questions is of vital importance
- workings where necessary must be provided. A wrong number with no workings will not score any marks. A wrong number with workings can score a reasonable number of the marks allocated.
- Candidates must allocate time correctly, both between questions and within sections of questions.
- Written sections must be attempted. Candidates answering what is set, not just putting down random facts.

Wool and Looe are unhappy with the net profit calculated in (a) above. Wool suggests that the easiest way to improve it would be to increase the value placed on stock at 31 March 2008. Looe is not convinced, suggesting that this change would reduce profit as well as not being acceptable accounting practice.

REQUIRED

Briefly discuss whether or not Looe is correct.

These answers were provided by candidates

FAIL RESPONSE

(a) * Wool and Looe

Trading, Profit and Loss and Appropriation A/C for six months ended 31 Mar 2008

	£	£
Sales		112,300
Opening Stock	12,300	
Purchases	71,800	
- Closing Stock	(14,100)	
Cost of goods sold		(70,000)
Gross Profit		42,300
Decrease provision for doubtful debts (WN-1) Expenses		624
Distribution costs $(12,100 - 280 + 300)$	12,120	
Administrative expenses $(9,200 - 150 - 5,500 + 360 + 200)$	4,130	
Depreciation of Fixed assets $(25,000 \times 20\% \times \frac{6}{12}) + (20,000 \times 30\% \times \frac{6}{12})$	5,500	(21,750)
Bad debts	150	(21,900)
Net Profit		20,550
Partner's Salary - Wool		(3,000)
Share of profit - Wool $(20,550 \times \frac{4}{7})$		11,857
- Looe $(20,550 \times \frac{3}{7})$		(8,993)
		Nil
Net Profit		21,024
Partner's Salary - Wool		(3,000)
Share of profit - Wool $(18,024 \times \frac{4}{7})$	10,299	
- Looe $(18,024 \times \frac{3}{7})$	7,725	(18,024)
		Nil
(WN-1)		
Decrease provision for doubtful debts = $(9,750 - 150) = 9,600 \times 6\%$		
		= 576 - 1200
		= 624

A.1 Wool and Looe

(a)

Balance Sheet as at 31 March 2008

	£	£	£
Fixed Assets (37,000 + 25,000)	62,000	(25,300)	37,000 36,700
Current Assets			
Stock		14,100	
Debtors (9,750 - 150 - 576)		9,024	
Cash		88,00	
Bank (2100 - 520)		1,580	
Prepayments		425	
		25,925	
Liabilities within one year			
Creditors	4,750		
Accruals	380		
Accrued administrative expenses understated	180		
Prepaid distribution costs overstated	140	(5450)	
Net Current Assets			20,479
Net Assets			57,179
Partner's accounts - Wool		14,175	
- Looe		9,770	23,945
Partner's Profit - Wool		10,299	
- Looe		7,725	18,024
Net Assets			41,969

Examiner comments

- Neat
- Good at scoring on easier marks
- Some attempt at workings
- Failure to be fully logical in book-keeping
- No attempt at written section

PASS RESPONSE

Question ①			
Wool and Loe			
(a) Trading Profit & Loss and Appropriation Account of the partnership for the six months ended 31 March 2008.			
		£	+
sale			112300
opening stock	12300		
purchase	78100		
→ closing stock	(14100)		
cost of goods sold			(76300)
Gross profit			36000
Decrease on provision for doubtful debts.			1524
Expense			
Bad debt	150		
Administrative expense (19200 - 150 + 100 + 220)	9450		
Depreciation on fixed asset (25000 × 20%)	5000		
Depreciation on ^{remaining} fixed asset (37000 - 25000 - 4000 × 20%)	2160		
Distribution cost (12100 - 1400 + 300)	12260		
			(29820)
Net profit			6184
partner's salary for wool			(1500)
share of profit			7004
Wool	4002		
Loe	3002		(7004)
			Nil

Balance Sheet at as 31 March six months ended 31 March 2008.

	£	£	£
<u>Fixed Asset</u>	87000	82160 ^{5000 + 2160}	14840
<u>Current Asset</u>			
stock		14100	
Debtors (9750 - 150)	9600		
(-) Provision for bad debt	(576)	9024	
prepaid distribution cost		140	
Cash		800	
prepayment		425	
		24489	
<u>Current Liabilities</u>			
Accrued administrative expenses	180		
Bank overdraft (2100 + 520)	2620		
creditor	4750		
Accruals	880	(7930)	
working capital			16559
Total capital employe.			31899
<u>Capital</u>			14175
Wool capital			9770
Loose capital's			7004
Net profit			30949
(b) Loss suggesting is not correct.			

Examiner comments

- Neat
- Good at scoring on easier marks
- More substantial workings
- More logical in book-keeping
- Very little attempt at written section

DISTINCTION RESPONSE

QUESTION 1		31 March 2008	
(a)	Trading Profit & Loss and Appropriation A/c for the six months ended		
	£	£	
Sales			112,300
Opening Stock	12,300		
Purchases	78,100		
+ Closing Stock	(14,100)		
Cost of Goods Sold			(76,300)
Gross Profit			36,000
<u>Incomes</u>			
Decrease in Provision for doubtful debts (1,200 - 576)			624
<u>Expenses</u>			
Distribution costs (12,100 + 140 + 300)	12,540		
Administrative expenses (9,200 + 180 + 220)	9,600		
Depreciation (7160 * 6/12)	3,580		
Bad Debts	150		(25,876)
Net Profit			10,754
<u>Partner's salary</u>			
Wool $13,000 * 6/12$			(1500)
<u>Share of Profit (4:3)</u>			
Wool (9254 * 4/7)	5,288		
Loze (9254 * 3/7)	3,966		(9254)
			Nil

Workings.

$$\begin{aligned} \text{Depreciation} &: £ 25,000 \times 20\% &= 5,000 \\ &(\text{£ } 37,000 - \text{£ } 25,000 - \text{£ } 7,800) \times 30\% &= 2,160 \\ &&= \underline{7,160} \end{aligned}$$

Balance Sheet at 31 March 2008

	£	£	£
<u>Fixed Assets</u>	37,000	(18,580)	18,420
<u>Current Assets</u>			
Closing Stock		14,100	
Debtors	9,750		
↳ Bad debts	(150)		
↳ Provision for doubtful debts	(576)	9,024	
Cash		800	
Repayments : (425 - 140)		285	
		24,209	
<u>Liabilities due within one year</u>			
Bank (2100 + 520)	2,620		
Creditors	4,750		
Accruals (380 + 180)	560	(7,930)	
Net Current Assets			16,279
Total Capital Employed			<u>34,699</u>
<u>Partner's accounts</u>			
Wool (14,175 + 1,500 + 5,288)		20,963	
Loce (9,770 + 3,966)		13,736	
Total Capital Employed			<u>34,699</u>

(b) Loce is correct. Increasing the value placed on stock at 31 March 2008 would reduce profit and due to accounting practice stock should be valued at lower of cost and net realisable value.

Examiner comments

- Neat and very logical
- Very well set out
- Clear precise workings
- Accurate and correct book-keeping
- Some attempt at written section

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