

Level 1 Certificate in Book Keeping



International
Qualifications from EDI

Annual Qualification Review

2008

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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 67.79%

Grade distributions

Pass	15.37%
Credit	21.69%
Distinction	30.73%

GENERAL STRENGTHS AND WEAKNESSES

Strengths

- With regard to many centres, a thorough coverage and consolidation of syllabus topics.
- Well presented answers indicate that many centres have encouraged sufficient practice of sample /past paper questions
- Final accounts questions are well answered by candidates

Weaknesses

- Some centres fail to cover all the syllabus topic areas
- An evident lack of practice of textbook questions and past question papers by candidates.
- Poor response to the written components of questions

TEACHING POINTS BY SYLLABUS TOPIC

Syllabus topic 1: The Accounting Equation

- This topic is the foundation of the subject and should be thoroughly understood by candidates in order that other topics are developed adequately.
- It is often evident that some candidates have only a minimal appreciation of this key concept.

Syllabus topic 2: Double Entry

- If topic 1 is not sufficiently well understood the development of this topic will not be satisfactory. Teachers should spend more time in the early stages of the learning programme to ensure that candidates have a good understanding of these concepts.
- The key to success in double entry is practice– teachers should ensure that candidates get sufficient practice. Understanding of the principles can be encouraged by getting candidates to explain the ‘why’ behind their double entries.
- With sufficient practice the required debit/credit in an appropriate account can become a matter of routine.

Syllabus topic3: and 4: Balancing Accounts and Purchases/Sales>Returns

- The comments on topic 2 also apply to both these topics, i.e. they are interrelated with regard to the required double entry.

Syllabus topic 5: The Ledger Subdivision

- Questions on this topic always show a variation between centres with regard to candidate responses.
- It is evident that the topic has been given only minimal coverage at best, or, not covered at all by some centres. A good understanding of this topic will help candidates to improve their responses on questions where they have to make post from the day books to the relevant ledgers.

Syllabus topic 6: Day Books

- There is often a good response to this topic.
- A failing that is evident is a lack of coverage of trade discounts and the implication for the net values of a transaction to be entered in the day books. Teachers should ensure that the principle behind trade discounts is well understood and a clear distinction should be made between it and cash discounts.
- Some candidates, however, do not have a good understanding of how to transfer the day book totals to the general ledger – many transfer the individual sales values instead of the day book total.

Syllabus topic 7: Bank Facilities

- This is the one topic where some candidates respond well to a written component of a question. Teachers should ensure that candidates can define and explain the specific terms associated with the topic e.g. direct debit, credit transfer, cheques etc.

Syllabus topic 8: Cash Book and Cash Discount

- The majority of candidates provide a good response to this topic where double entry has been developed sufficiently.
- A weakness is the use of inappropriate narratives with regard to corresponding account entries. Additionally, some candidates attempt to balance the discount columns; teachers need to emphasise that the discount columns are not a part of the double entry but just memoranda in nature.

Syllabus topic 9: Bank Reconciliation Statements

- The majority of questions on this topic require the updating of a Cash Book balance prior to extracting a Bank Reconciliation statement. It is often evident that candidates from some centres have not covered this procedure adequately. As a result, candidates include all items in the statement with a subsequent loss of marks.
- Teachers need to ensure that candidates know how to update the cash book and then use the updated balance to do prepare the bank reconciliation statement. Again, it is important for candidates to understand why they make the entries and teachers should encourage this understanding by focussing on the 'why'.

Syllabus topic 10: Petty Cash Book

- Questions on this topic produce a very good response.
- The transaction, which often causes confusion, is the receipt of money, from a debtor, via the Petty Cash Book. Teachers should ensure that candidates understand how to transfer from the petty cash book to general ledger accounts.

Syllabus topic 11: Trial Balance

- The comments regarding topics 1,2,3 and 4 again apply here.
- Where double entry has not been developed adequately the requirement to draw up a Trial Balance from a list of balances results in erroneous entries. Teachers need to emphasise the normal balances of accounts.

Syllabus topic 12: Accruals and Prepayments

- This topic is normally tested in conjunction with questions on topics 19, Final Accounts and topic 20, Balance Sheets. The majority of candidates cover the required adjustments correctly; however, there is often confusion in terms of how these are shown in the balance sheet. Teachers need to emphasise how these are ordered under the current assets and current liabilities.

Syllabus topic 13: Depreciation of Fixed Assets

The responses on this topic exhibit centre variations with regard to candidate responses. The main failings are:

- The inclusion of asset cost in the Provision for depreciation account.
- A poor understanding of the reducing balance method of depreciation.
- The entering of depreciation charges in the asset account in addition to the entries in the provision account shows a lack of understanding of the necessary procedures.

Syllabus topic 14: Bad Debts

- This topic, with regard to candidate responses, underlines previous comments on the need to develop a thorough understanding of double entry in order to respond to questions specific to this topic.
- It is evident that some centres have given insufficient coverage of the double entry procedures with regard to the recovery of bad debts written off previously.

Syllabus topic 15: The Journal

- Where double entry is thoroughly understood candidates respond well to this topic. Teachers need to emphasise the appropriate layout of the journal.
- Where this is not the case the presentation of a minimal attempt at a question underlines the weakness of the candidates' understanding of double entry procedures.

Syllabus topic 16 Capital and Revenue Expenditure

- Good responses to questions on this topic.
- The ability to differentiate between capital and revenue items is not dependant on an understanding of double entry, but, the topic in general only represents a part of a question and it is evident from minimal attempts at other parts of the question that candidates have not been well prepared.

Syllabus topic 17: Errors in Accounts

- Once more the underpinning knowledge of double entry and its continued development via prior topics is the key to success in answering questions involving errors.
- If this is not adequate, questions requesting correcting journal entries, and/or, revising prior calculated net profit figures cannot be successfully responded to.

Syllabus topic 19: Trading and Profit & Loss Accounts

- Questions on this topic produced very good responses.
- Many candidates evidently see this topic as the "key" to examination success.
- Unfortunately if there is a weakness in a candidate's knowledge, as stated previously, the rote learning of this topic alone will not be sufficient to ensure success.

Syllabus topic 20: Balance Sheet

- The same comments applies here as to topic 19 above.

Syllabus topic 21: Control Accounts – An Introduction

- This, a new topic on the syllabus, provided a very mixed response from candidates.
- It was obvious that some centres had not taught this, as candidates did not know how to respond to the questions.

FURTHER GUIDANCE

- It is essential that all the topics of the syllabus must be covered in order to give candidates the opportunity to show their level of ability.
- The use of appropriate resources, such as the new Passport to Success student workbook and Teacher Resource CD, to introduce and develop topics is a necessity.
- Consolidation via past examination papers is essential.

EXAMPLES OF CANDIDATE RESPONSES

Examples of candidate responses

This example is taken from the series 3 2008 question paper. The question is as follows:

John buys from suppliers who invoice goods at list price, less a trade discount. Purchases made during March 2007 were:

Date	Supplier	Goods	Recommended list price	Trade discount
March 8	Sam	200 reams of paper	£4.00 per ream	40%
10	Hilda	500 pens	£0.30 each	30%
12	Maud	100 rulers	£0.25 each	20%
16	Hilda	1,000 pencils	£0.40 each	30%
18	Sam	10,000 envelopes	£50.00 per 1,000	40%
23	Maud	50 erasers	£0.50 each	20%

REQUIRED

Prepare for John's business:

- (a) The Purchases Day Book for March 2007. (13 marks)
- (b) The Purchases Account for March 2007. (2 marks)

On 25 March 2007 John sold, from the above stock, the following goods to James at their list prices:

10 reams of paper
1,000 envelopes
10 pens
2 erasers

James paid for the goods by cheque, on 31 March 2007, deducting a cash discount of 5%.

REQUIRED

- (c) Calculate the amount owed by James, at list price. (5 marks)
- (d) Show James' account in the sales ledger. (5 marks)

(Total 25 marks)

FAIL RESPONSE:

Question 1

a) Purchase Day Book

		£
March 8	Sam	480
10	Hilda	105
12	Maud	20
16	Hilda	280
18	Sam	300
23	Maud	20
		<u>1205</u>

b)

Sam

	£		£
March 8 Purchase	480	March 31 Balance c/d	<u>780</u>
March 18 Purchase	300		
	<u>780</u>		

Hilda

	£		£
March 10 Purchase	105	March 31 Balance c/d	<u>385</u>
March 16 Purchase	280		
	<u>385</u>		

Maud

	£		£
March 12 Purchase	20	March 31 Balance c/d	<u>20</u>

Examiner comments:

- Part (a) of the question was answered correctly and was awarded the thirteen marks available.
- Part (b) shows that the candidate did not understand the requirement to show the transfer of the total from part (a) to Purchases Account at the end of the month.
- Parts (c) and (d) were not attempted.
- The answers to the other three questions demonstrated a similar level of appreciation and the candidate failed.

PASS RESPONSE:

John
Purchases Day Book for March 2007

(a)	Date	Supplier	Goods	Prices	Trade discount	Total
	2007			£		£
	Mar 8	Sam	200 reams of paper	4.00 per ream	40%	480
	10	Hilda	500 pens	0.30 each	30%	105
	12	Maud	100 rulers	0.25 each	20%	20
	16	Hilda	1000 pencils	0.40 each	30%	280
	18	Sam	10,000 envelopes	50.00 per 1000	40%	300
	23	Maud	50 erasers	0.50 each	20%	15
						<u>1200</u>

(b) Purchases account

2007 Mar		£
8	Sam	480
10	Hilda	105
12	Maud	20
16	Hilda	280
18	Sam	300
23	Maud	15

(c)

10 reams of paper	(10 x 4)	= 40
1000 envelopes	(50 per 1000)	= 1000
10 pens	(10 x 0.30)	= 3
2 erasers	(2 x 0.5)	= 1
		<u>1044</u>

Sales ledger

Date	Detail	Prices
2007		£
March 25	James	1044

Examiner comments:

- In part (a) of the question the candidate made one error of calculation, i.e. on 28 March 2007. With the benefit of the own figure rule for the total of the Day Book the candidate achieved eleven marks.
- Part (b) shows that the candidate missed the point of the questions requirement, i.e. a total for the month should have been shown in the Purchases Account and not a repeat of the individual transactions.
- In the calculation required in part (c) of the question there was one error, i.e. It = £50 not £1,000. On the basis of the own figure rule for the total of the calculation four marks were awarded.
- Part (d) was answered incorrectly. The requirement to show the Debtors Account resulting from the calculation in (c), and the subsequent payment, was not understood by the candidate.
- A total of fifteen marks were awarded for this question. A similar level of ability was demonstrated in the other three questions and a pass was achieved.

DISTINCTION RESPONSE:

Question 1 (a)		John	
Purchases Day Book			
Date	Particulars	Detail £	Total £
2007			
Mar 8	Sam 200 reams of paper at £4.00 per ream less: 40% Trade Discount	800 (320)	480
10	Hilda 500 pens at £0.3 each less: 30% Trade Discount	150 (45)	105
12	Maud 100 rulers at £0.25 each less: 20% Trade Discount	25 (5)	20
16	Hilda 1000 pencils at £0.4 each less: 30% Trade Discount	400 (120)	280
18	Sam 10 000 envelopes at £50 per 1000 less: 40% Trade Discount	500 (200)	300
23	Maud 50 erasers at £0.5 each less: 20% Trade Discount	25 (5)	20
31	Transferred to Purchases Account		1205
(b)			
Purchases			
2007	£	2007	£
Mar 31	Credit Purchases for the month	1205	Mar 31 Balance c/d
			1205

Question 1 (C)

Calculation for the amount owed by James

2007		£	£
Mar 25	10 reams of paper at £4 per ream		40
	1000 envelopes at £.50 per 1000		50
	10 pens at £0.3 each		3
	2 erasers at £0.5 each		1
	Amount owed by James		<u>94</u>

(d)

Sales Ledger

James

2007	£	2007	£
Mar 25 Sales	94	Mar 31 Bank	89.3
		Discount allowed (94 x 5%)	4.7
	<u>94</u>		<u>94</u>

Examiner comments:

- This answer was correct in each part and achieved full marks.

It should be noted:

- In part (b) in addition to the narrative, Credit Purchases for the Month given, Sundries and Purchases Day Book would also have been accepted.
- In part (c) the narrative of Sundries or Sales Day Book in addition to sales would have been accepted.

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