

## Level 1 Certificate in Book Keeping



International  
Qualifications from EDI

Annual Qualification Review

2011

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## INTRODUCTION

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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 2010 and 31 August 2011.

Global pass rate            65.79%

Grade distributions

Pass                            17.99%

Credit                         29.80%

Distinction                 52.21%

### GENERAL STRENGTHS AND WEAKNESSES

#### STRENGTHS

- The majority of centres provide a good coverage of the syllabus. It is evident that candidates from such centres attempt all four questions on the paper and rarely is a question missed, or, only partially attempted.
- The layout of accounts show that practice has been undertaken by candidates to consolidate syllabus topics.
- Where the above apply, candidates achieve success in the examination.

#### WEAKNESSES

- There is a failure to cover all the topics on the syllabus. Some questions are omitted, or, only a minimal attempt is made to answer the question.
- A lack of practice to consolidate understanding is apparent via the poor presentation of answers. Consolidation via the use of the text "Passport to Success" and the use of previous **LCCI/EDI** papers is essential.
- The written components of the questions are often not attempted.

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## TEACHING POINTS BY SYLLABUS TOPIC

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### **Syllabus topic 1: The Accounting Equation**

- This topic is essential, as a basis, to develop a thorough understanding of double entry book-keeping. Without this foundation other topics on the syllabus will not be adequately understood.
- A lack of appreciation is often shown in questions which require candidates to calculate the positive and negative effect of transactions on account balances given in a question.

### **Syllabus topic 2: Recording transactions through double entry.**

- As stated above if topic 1 is not adequately understood progress in this topic may not be satisfactory.
- Practice is of key importance so that the required entries in a given scenario can be correctly recorded.
- With adequate practice double entry becomes a routine procedure.

### **Syllabus topic 3: Balancing Accounts.**

- If topic 1 and topic 2 are thoroughly understood the required procedure for balancing accounts should not be difficult to appreciate.
- A major weakness is after calculating a balance candidates do not bring down the balance to the commencement of the next accounting period.

### **Syllabus topic 4: Purchases and sales Returns**

- The previous comments on 2 above apply to this topic, i.e. they are interrelated with regard to the required double entry.

### **Syllabus topic 5: The Ledger: Its subdivision.**

- Responses to this topic have improved, but, it is still evident that some centres are not covering it or only providing a minimal coverage.

### **Syllabus topic 6: Day Books.**

- This topic always produces a good response from candidates. A failing is in relation to the deduction of trade discounts from returns where the list price is given. This often occurred when the trade discount had been applied correctly initially to a sales or purchases figures.

### **Syllabus topic 7: Bank Facilities.**

- This is always a written component of a question. Centre variations apply, i.e. either attempted or omitted.

### **Syllabus topic 8: Cash Book and Cash Discount.**

- With a good understanding of double entry, candidates produce a good response to this topic.
- A major weakness, as noted previously, is to use inappropriate narratives, e.g. if cash sales are indicated the appropriate corresponding account entry is sales, not cash.
- As stated previously candidates often do not bring balances down after calculating them.

### **Syllabus topic 9: Bank Reconciliation Statements.**

- Most questions on this topic require initially 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.
- The presentation of Bank Reconciliation Statements often evidences a minimal of the requirement. Again, practice is essential.

### **Syllabus topic 10: Petty Cash Book.**

- This topic always produces a very good response.
- The transaction which causes confusion is the receipt of money from a debtor or the payment of a creditor via the Petty Cash Book.
- A lack of attention to transaction dates and the inclusion of voucher numbers often causes marks to be lost.

### **Syllabus topic 11: Trial Balance**

- The comments above regarding topics 1,2,3 and 4 again apply.
- When double entry has not been developed sufficiently the requirement to draw up a Trial Balance from a list of balances results in the presentation of wrong entries.

### **Syllabus topic 12: Accruals and Prepayments.**

- This topic is tested in conjunction with questions on topic 19, Final Accounts and topic 20, Balance sheets.
- The majority of candidates cover the required adjustments correctly.

### **Syllabus topic 13: Depreciation of Fixed Assets.**

The responses to this topic always produce centre variations with regard to candidate responses. The main failings are, as in previous years:

- The inclusion of asset cost in the Provision Account.
- The entry of depreciation charges in the Asset Account.
- A failure to identify correctly the years to which a depreciation charge applies.
- A poor understanding of the reducing balance method of depreciation.

### **Syllabus topic 14: Bad Debts.**

- Once again previous comments on the need to develop an adequate understanding of double entry in order to respond to questions specific to this topic apply.
- As in previous years some centres have not given sufficient 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.
- If this is not the case the presentation of the appropriate Dr/Cr entries underlines the weakness of the candidates' understanding of double entry procedures.

### **Syllabus topic 16: Capital and Revenue Expenditure.**

- Very 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. The topic is always only a part of a question.

### **Syllabus topic 17: Errors in Accounts.**

Once more a sound knowledge of double entry and its development via prior topics is essential to success in answering questions involving errors.

- If this is not sufficient, questions requesting correcting journal entries, and/or, revising prior calculated net profit figures cannot be attempted with any degree of success.

### **Syllabus topic 18: Effects of Profit (or Loss) and drawings upon capital.**

- This is normally incorporated into questions on topic 19 and topic 20 and thus normally taught as a part of those topics and is understood well by candidates. Where the preparation of the drawings and capital accounts is required candidates do not respond very well.

**Syllabus topic 19: Trading and Profit & Loss Accounts.**

- Questions on this topic overall produce good responses.
- Many candidates evidently see this topic as the “key” to examination success.
- If however there is a weakness in a candidate's knowledge, the rote learning of this topic alone will not of itself be sufficient to achieve a pass grade.

**Syllabus topic 20: Balance Sheet.**

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

**Syllabus topic 21: Control Accounts - An Introduction.**

- The responses to this topic have improved over the year
- There is still some evidence that some centres have not recognised the fact that this is a syllabus topic.

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## FURTHER GUIDANCE

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- All the topics on the syllabus must be covered in order to give candidates the opportunity to show their level of ability and achieve success.
- The use of an appropriate textbook to introduce and develop topics is a necessity. The text *Passport to Success*, published by EDI, was written specifically for this qualification.
- Consolidation practice via past examination papers is also essential.

# EXAMPLES OF CANDIDATE RESPONSES

## QUESTION 1

Helen had £600.00 cash and a bank overdraft of £843.27 on 31 January 2011.

She made the following cash and bank transactions during February 2011:

|          |    |  |
|----------|----|--|
| February | 3  | Banked £250.00 cash  |
|          | 7  | Paid wages in cash £275.00   |
|          | 8  | Banked John's cheque for £943.85   |
|          | 12 | Cash sales £450.00   |
|          | 14 | Paid wages in cash £285.00   |
|          | 17 | Banked a cheque from Fran, for £354.00, who had deducted £6.00 discount.           |
|          | 18 | Paid the balance on Colin's account £400.00, by cheque after deducting 2% discount |
|          | 21 | Withdrew £300.00 from the bank for office use<br>Paid wages in cash £280.00        |
|          | 25 | Paid James by cheque £138.67   |
|          | 28 | Banked Gill's cheque for 284.84.   |

## REQUIRED

- (a) Prepare Helen's Three Column Cash Book for the month of February 2011.

(15 marks)

Helen's Bank Statement shows:

|          |    | Dr<br>£ | Cr<br>£ | Balance<br>£ |    |
|----------|----|---------|---------|--------------|----|
| February | 1  |         |         | 843.27       | Dr |
|          | 7  |         | 250.00  | 593.27       | Dr |
|          | 8  |         | 943.85  | 350.58       | Cr |
|          | 12 | 25.00   |         | 325.58       | Cr |
|          | 17 |         | 354.00  | 679.58       | Cr |
|          |    | 150.00  |         | 529.58       | Cr |
|          | 19 |         | 85.64   | 615.22       | Cr |
|          | 21 | 300.00  |         | 315.22       | Cr |

## REQUIRED

- (b) Prepare the:

- (i) Cash Book update (bank columns only)

(5 marks)

- (ii) Bank Reconciliation Statement at 28 February 2011.

(5 marks)

**(Total 25 marks)**

Examples of candidate responses (high, medium, low with justification of assessment decisions)

Example 1 - Distinction

Question 1 Helen

(a)

| Cash Book |             |                  |         | Cash Book |             |                   |      |
|-----------|-------------|------------------|---------|-----------|-------------|-------------------|------|
| 2011      |             | Discount allowed | 2011    | 2011      |             | Discount received | 2011 |
|           |             | £                | £       |           |             | £                 | £    |
| Feb 1     | Balance b/f |                  | 600     | Feb 1     | Balance b/f |                   | 843  |
| 3         | From Cash   |                  | 250     | 3         | To Bank     |                   | 250  |
| 8         | John        |                  | 943.85  | 7         | Wages       |                   | 275  |
| 12        | Sales       |                  | 450     | 14        | Wages       |                   | 285  |
| 17        | Fran        | 6.00             | 354     | 18        | Colin       | 8                 | 39   |
| 21        | From Bank   |                  | 300     | 21        | To Cash     |                   | 30   |
| 28        | Gill        |                  | 284.84  | 21        | Wages       |                   | 280  |
|           |             |                  |         | 25        | James       |                   | 138  |
|           |             |                  |         | 28        | Balance c/f |                   | 260  |
|           |             | 6                | 1350    |           |             | 8                 | 1350 |
|           |             |                  | 1832.89 |           |             |                   | 1832 |
| 2011      |             |                  |         | 2011      |             |                   |      |
| Mar 1     | Balance b/f |                  | 260     |           |             |                   |      |

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(b)(i)

| Cash Book (Bank columns only) |                  | Cash Book (Bank columns only) |       |
|-------------------------------|------------------|-------------------------------|-------|
| 2011                          |                  | 2011                          |       |
|                               | £                |                               | £     |
| Feb 28                        | Balance b/f ✓    | 158.75                        |       |
| 28                            | CT - Ella        | 85.64                         |       |
|                               |                  | 244.39                        |       |
| Feb 28                        | Charges          |                               | 25.01 |
| 28                            | DD - Electricity |                               | 150.0 |
| 28                            | Balance c/f ✓    |                               | 69.3  |
|                               |                  |                               | 244.3 |
| 2011                          |                  |                               |       |
| Mar 1                         | Balance b/f      | 69.39                         |       |

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Example 2 - Pass

Question 1

a) Cash Book

| Receipt         |                          |      |                | Payment  |      |                          |      |         |       |
|-----------------|--------------------------|------|----------------|----------|------|--------------------------|------|---------|-------|
| Date            | Details                  | Cash | Bank           | Discant. | Date | Details                  | Cash | Bank    | Disc. |
| 1/2             | Bal b/d                  | 600  | *              | *        | 1/2  | Bal b/d                  | *    | 843.27  | 1     |
| 3/2             | <del>Contra-Cash</del>   |      | 250            | 1        | 3/2  | Contra - Bank            | 250  | 1       |       |
| 8/2             | John                     |      | 993.85         | 1        | 7/2  | Wages                    | 275  | 1       |       |
| 13/2            | Sales                    | 450  |                |          | 17/2 | Wages                    | 285  | 1       |       |
| 17/2            | Fran                     |      | 354            | 6        | 18/2 | Colin                    |      | 392     | 8     |
| <del>21/2</del> | <del>Contra - Bank</del> | 300  | <del>200</del> |          | 21/2 | <del>Contra - Cash</del> |      | 300     | 1     |
| 23/2            | Willy Gill               |      | 248.84         |          | 21/2 | Wages                    | 280  |         | 1     |
|                 |                          |      |                |          | 25/2 | James                    |      | 138.67  | 1     |
|                 |                          |      |                |          | 28/2 | Bal b/d                  | 260  | 183.75  | 1     |
|                 |                          | 1350 | 1832.69        |          |      |                          | 1350 | 1832.69 |       |
| 1/3             | Bal b/d                  | 260  | 158.75         | 1        |      |                          |      |         |       |

b) i) Cash Book (Bank Columns)

|      |                        |        |      |                            |       |
|------|------------------------|--------|------|----------------------------|-------|
| 2011 |                        | 2011   |      |                            |       |
| 28/2 | Bal b/d                | 158.75 | 28/2 | Bank Charges               | 2.5   |
| 28/2 | Credit Transfer - Ella | 85.64  | 28/2 | Direct Debit - Electricity | 15.0  |
|      |                        | 244.39 | 29/2 | Bal b/d                    | 69.39 |
|      |                        |        |      |                            | 244.3 |

ii) Bank Reconciliation as at 28 February 2011

|                               | £     | £      |
|-------------------------------|-------|--------|
| Balance as per Cash Books     |       | 69.39  |
| Add: Unpresented cheque       | 300   |        |
| Less: Uncredit item           | 54.17 |        |
| Balance as per Bank Statement |       | 315.22 |

10 (19)

In parts (a) and (b) of the question the candidate showed a good appreciation of the question's requirements. However, in part (c) there is an evident lack of understanding. The other questions showed a similar pattern of partial learning and although the mark to the first question was reasonable, a pass grade only was achieved.

Example 3 - Fail

1 a)

| Date | Receipt          | Discount Allowed | £ Cash          | £ Bank         | Date | Payment                      | Discount received | £ Cash | £ Bank   |
|------|------------------|------------------|-----------------|----------------|------|------------------------------|-------------------|--------|----------|
| 1/2  | Bal b/d          |                  | 600             |                | 1/2  | Bal b/d                      |                   |        | 843.27   |
| 3/2  | Contra-cash bank | X                | 250             | <del>250</del> | 3/2  | Contra-cash bank             |                   | 250    | X 250.   |
| 12/2 | Sales            |                  | 450             |                | 7/2  | Wages                        |                   | 275    |          |
| 14/2 | Fran             | 6                |                 | 354.           | 8/2  | John's cheque                |                   |        | 943.85   |
|      |                  |                  |                 |                | 14/2 | Wages                        |                   | 285    |          |
|      |                  |                  |                 |                | 18/2 | Colin's account              | 8                 |        | X 400    |
|      |                  |                  |                 |                | 22/2 | <del>Drawings</del> Drawings |                   |        | 300      |
|      |                  |                  |                 |                | 21/2 | Wages                        |                   | 280    |          |
|      |                  |                  |                 |                | 25/2 | James                        |                   |        | X 138.67 |
|      |                  |                  |                 |                | 28/2 | Gill                         |                   |        | X 284.84 |
| 30/2 | Bal c/d          |                  |                 | 2806.63        | 30/2 | Bal c/d                      |                   | 460    |          |
|      |                  | 6                | <del>1300</del> | 3160.63        |      |                              | 8                 | 1300   | 3160.63  |

b2

| 2011 |         | £             | 2011 |                  | £             |
|------|---------|---------------|------|------------------|---------------|
| 1/2  | Bal b/d | X 460         | 12/2 | Charges          | 25            |
| 19/2 | CT-Ella | 85.64         | 17/2 | DD - Electricity | 150           |
|      |         |               | 30/2 | Bal c/d          | 370.64        |
|      |         | <u>545.64</u> |      |                  | <u>545.64</u> |

Helen

|                               | £        | £              |
|-------------------------------|----------|----------------|
| Balance as per cash book      |          | 370.64         |
| Add: Unpresented cheque       |          |                |
| Colin Colin's account         | 400      |                |
| James                         | 138.67   |                |
| Gill                          | X 284.84 |                |
| Balance as per bank statement |          | <u>1194.15</u> |

The responses of this candidate show a level of understanding, but, this is not sufficient to gain an adequate mark profile. The responses to the other questions reflected the same level of appreciation.

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