

Level 1 Certificate in Book-Keeping



International
Qualifications from EDI

Syllabus

Effective for examinations to be held after 1 Jan 2008

INTRODUCTION

EDI is a leading international awarding body that was formed through the merger of the London Chamber of Commerce and Industry Examinations Board (LCCI) and GOAL, a leading online assessment provider. EDI now delivers LCCI International qualifications (LCCI IQ) through a network of over 5000 registered centres in more than 120 countries worldwide. Our range of business-related qualifications is trusted and valued by employers worldwide and recognised by universities and professional bodies.

Level 1 Certificate in Book-keeping

Aims

The aims of this qualification are enable candidates to develop:

- an understanding of the basic principles underlying the recording of business transactions
- the ability to maintain the books of, and prepare final accounts for, sole traders

Target Audience and Candidate Progression

The examination is suitable for candidates who work or wish to work in areas of business that will involve the recording of financial transactions. All businesses require accurate accounting records that are maintained on a regular basis. Consequently, there is a demand for employees who possess these skills.

Successful candidates can progress to the LCCI IQ Level 2 Certificate in Book-keeping and Accounts qualification.

Level of English Required

Candidates should have a standard of business English equivalent to LCCI IQ Level 1 English for Business

Structure of the Qualification

The Level 1 Certificate in Book-keeping is a single unit qualification that consists of the range of topics detailed below.

Syllabus Topics

1. The Accounting Equation and the basis of double-entry book-keeping
2. Recording transactions through double entry
3. Balancing accounts
4. Purchases/Sales>Returns
5. The Ledger: its subdivision
6. Day Books
7. Bank facilities/methods of payment or receipt of money
8. Cash Book and cash discount
9. Bank reconciliation
10. Petty Cash Book and the Imprest System
11. Trial Balance
12. Adjusting for accruals and prepayments in the final accounts
13. Depreciation of fixed assets
14. The entries relating to bad debts
15. The Journal
16. Capital and revenue expenditure
17. Errors in the accounts and their correction
18. Effect of Profit (or Loss) and drawings upon capital
19. Trading and Profit and Loss Accounts
20. The Balance Sheet
21. Control Accounts – an introduction

Guided Learning Hours

EDI recommends that 140 - 160 Guided Learning Hours (GLHs) provide a suitable course duration for an 'average' candidate at this level. This figure includes direct contact hours as well as other time when candidates' work is being supervised by teachers. Ultimately, however, it is the responsibility of training centres to determine the appropriate course duration based on their candidates' ability and level of existing knowledge. EDI experience indicates that the number of GLHs can vary significantly from one training centre to another.

ASSESSMENT

Assessment Objectives

The examination will assess the candidate's ability to demonstrate:

- an understanding of the Accounting Equation and the basis of double-entry book-keeping
- how to prepare journal entries and ledger accounts by using the double entry system
- how to prepare prime entry records for purchases, sales, returns and cash
- how to prepare journal entries
- how to prepare a trial balance and the final accounts for sole traders
- an understanding of banking facilities and the operation of the cash book
- how to prepare a bank reconciliation statement
- how to make adjustments for accruals and prepayments in the final accounts
- an understanding of the entries necessary for the depreciation of fixed assets
- how to make entries relating to the writing off of bad debts
- an understanding of the distinction between capital and revenue expenditure
- how to correct errors in the accounts of sole traders
- an understanding of the use of control accounts as a check on the sales and purchases ledger

Skills Assessed

Candidates will need to show that they can:

- add, subtract, divide and multiply, calculate and use percentages
- prepare journal entries and ledger accounts
- present final accounts for sole traders

Coverage of Syllabus Topics in Examinations

At least **2** of the following syllabus topics will appear in each examination:

9. Bank reconciliation
10. Petty Cash Book and the Imprest System
16. Revenue and Capital Expenditure
19. Trading and Profit and Loss Accounts
20. Balance Sheet

Examination Format

- The time allowance for the examination is 2.5 hours
- There will be 4 questions on the examination paper
- All of the questions will be compulsory
- Each question will carry equal marks

Answer formats

The answers required will be predominantly of a quantitative nature but candidates will be expected to demonstrate their understanding of the subject at an appropriate level.

Mark Allocation

A positive marking approach is used. Although candidates will be penalised for initial calculation errors, they will gain marks for consequential 'own figures' as long as the correct use of principles has been demonstrated.

Certification

Successful candidates will be awarded the Level 1 Certificate in Book-keeping based on the achievement of the percentages and grades below.

Pass	50%
Merit	60%
Distinction	75%

Recommended Reading List and Support Material

Reading List

Title	Author(s)	Publisher	ISBN Code
Passport to Success Level 1 Certificate in Book-Keeping	EDI	Hodder	9781862471115
How to Pass Book-Keeping First Level	Keith F Bird	LCCIEB	0712108653

These books are essential reading for all candidates

Support Material

Model answers and past question papers are available from the LCCI website, www.lcci.org.uk.

How to offer this qualification.

To offer this qualification you must be an LCCI IQ registered examination centre. To gain Centre approval please contact Customer Support on 08700 818008 between the hours of 0830 and 1700 (GMT) Monday to Friday or by email on centresupport@ediplc.com.

Alternatively you may contact your regional LCCI Office or Co-ordinating authority.

Syllabus Topic

Items Covered

1 The Accounting Equation and the basis of double-entry book-keeping

Candidates must be able to:

- 1.1 Explain and use the terms debtor, creditor, asset, liability, capital
- 1.2 Apply the Accounting Equation: $\text{Assets} = \text{Capital} + \text{Liabilities}$ and its expression in the Balance Sheet
- 1.3 Calculate the effect of basic business transactions upon the accounting equation

2 Recording transactions through double entry

Candidates must be able to:

- 2.1 Complete debit and credit entries recording individual transactions
- 2.2 Prepare T-type accounts
- 2.3 Prepare a transaction/entry within an account, ie date together with, normally, the name of the 'other' account involved in that particular transaction/entry

3 Balancing accounts

Candidates must be able to:

- 3.1 Balance the T-type ledger account including bringing the balance down for the start of the next accounting period
- 3.2 Explain the significance of any particular account balance, eg a credit balance on a creditor account, a debit balance on an expense account
- 3.3 Prepare accounts in running balance form
- 3.4 Transfer a balance at period end to Trading Account or Profit and Loss Account, as appropriate (see 19.1)
- 3.5 Show the procedure for other end-of-period balancing, and ruling off, of accounts

4 Purchases/Sales/Returns

Candidates must be able to:

- 4.1 Record the effects on double-entry accounts of purchases of goods/services:
 - 4.1.1 for cash
 - 4.1.2 on credit
- 4.2 Show the effects on double-entry accounts of the sale of goods/services:
 - 4.2.1 for cash
 - 4.2.2 on credit
- 4.3 Record the return of goods previously bought or sold (or alternatively of an allowance being made in lieu of actual return of goods)
- 4.4 Show the use of the term Returns, both inwards and outwards; recognise the alternative terms in use, sales returns and purchases returns
- 4.5 Explain the part played in book-keeping by the invoice and the credit note
- 4.6 Explain trade discount
- 4.7 Calculate trade discount, from list prices to obtain net price
- 4.8 Explain the differences between trade discount and cash discount and the different book-keeping effects

5 The Ledger: its sub-division

Candidates must be able to:

- 5.1 Explain the functions of the Ledger
- 5.2 Show how the Ledger might be sub-divided, eg Sales Ledger, Purchases Ledger, Cash Book, General Ledger
- 5.3 State the alternative names for the different Ledgers, eg Debtors Ledger, Creditors Ledger, Nominal Ledger
- 5.4 Identify from a list of accounts, or from transaction details, the naming of the Ledger(s) in which each would be recorded

- 5.6 Distinguish between personal, real and nominal accounts
- 5.6 Show how the Sales Ledger might be sub-divided

6 Day Books

Candidates must be able to:

- 6.1 Prepare Purchases, Sales, Returns Outwards and Returns Inwards Day Books
- 6.2 Show the alternative names used for these various Day Books, i.e. purchases returns and sales returns
- 6.3 Record individual transactions in the Day Books
- 6.4 Make individual postings from the Day Books to personal accounts
- 6.5 Make postings of period Day Book totals to the Purchases, Sales and Returns Accounts in the General Ledger

7 Bank facilities/methods of payment or receipt of money

Candidates must be able to:

- 7.1 Differentiate between and explain the main types of bank account and their key features
- 7.2 Distinguish between the key aspects of the following methods of payment and receipt of money:
 - 7.2.1 cash
 - 7.2.2 cheque
 - 7.2.3 credit transfer
 - 7.2.4 standing order
 - 7.2.5 direct debit
- 7.3 Define a bank overdraft and explain how an overdraft might arise
- 7.4 Record and state the differences between:
 - 7.4.1 interest receivable (by the customer) on a bank account
 - 7.4.2 interest payable on a bank loan or overdraft

- 7.4.3 bank charges as charged by a bank for operating an account
- 7.5 State the name of and explain the use of the following abbreviations:
 - 7.5.1 DD or D/D - direct debit
 - 7.5.2 CT or C/T - credit transfer
 - 7.5.3 STO or S/O - standing order
 - 7.5.4 Div - dividend
- 7.6 Explain the significance of the following terms:
 - 7.6.1 bank paying-in book
 - 7.6.2 banker's order
 - 7.6.3 cheque book counterfoils/stubs
 - 7.6.4 drawer
 - 7.6.5 drawee
 - 7.6.6 remittance

8 Cash Book and cash discount

Candidates must be able to:

- 8.1 Explain the dual role of the Cash Book as a book of prime entry and an integral part of the double-entry record
- 8.2 Prepare a three-column Cash Book (the bank columns recording the Bank Current Account only)
- 8.3 Record individual transactions from the Cash Book to the Ledger
- 8.4 Record the differences in book-keeping entries regarding the withdrawal of funds from the bank, as between:
 - 8.4.1 that for use in the business - a contra entry
 - 8.4.2 that for private use - drawings (see 18.2)
- 8.5 Record the variations of entry arising on and from the sale of goods for cash, eg the immediate banking of cash as against the delayed banking of cash
- 8.6 Record the book-keeping entries required on the transfer of funds between the Bank Current Account and the Bank Deposit Account

- 8.7 Explain how Cash discount can be part of the terms of sale
- 8.8 Calculate cash discount
- 8.9 Record the double-entry effect of discount allowed and discount received respectively
- 8.10 Record entries in the discount columns in the Cash Book
- 8.11 Prepare the periodic updating of the Cash Book from the bank statement (see 9.2)
- 8.12 Explain the possible reasons for the dishonouring of a cheque and its significance
- 8.13 Record the book-keeping entries arising on the dishonouring of a cheque
- 8.14 Balance the Cash Book, bringing the balance down for the start of the new period
- 8.16 Record the periodic posting of discount-column totals from the Cash Book to the Discount Allowed and Discount Received Accounts in the General Ledger

9 Bank reconciliation

Candidates must be able to:

- 9.1 Explain the need for periodic reconciliation between the balance in the Bank Statement and the balance in the Cash Book (Bank Current Account)
- 9.2 Record the updating of the Cash Book (bank column) with as yet non-recorded items which are revealed in the Bank Statement
- 9.3 Explain the terms:
 - 9.3.1 unpresented cheques (or cheques drawn, not yet presented)
 - 9.3.2 cheques paid in (lodged), not yet credited

- 9.4 Prepare a statement reconciling the balance in the Cash Book (Bank Current Account) with that shown in the Bank Statement, in respect of items still causing a difference

10 Petty Cash Book and the Imprest System

Candidates must be able to:

- 10.1 Explain the use of Petty Cash as a system for effecting minor disbursements
- 10.2 Use sequentially numbered vouchers and be aware that they are an authorisation for payment
- 10.3 Explain the practice of setting a limit to the amount allowed in reimbursement per claim/voucher
- 10.4 Apply the basis of the Imprest System: i.e. the periodic reimbursement of the (controlled) float
- 10.5 Record the incidental receipts of money into petty cash, other than the periodic reimbursement of the float
- 10.6 Balance the Petty Cash Book and prepare the book-keeping entries relating to the reimbursement of the float as well as in respect of any adjustment of the float
- 10.7 Analyse petty cash outlay, the totalling of the analysis columns, and post these totals as required to appropriate Ledger accounts
- 10.8 Explain the dual role of the Petty Cash Book as a book of prime entry and an integral part of the double-entry record

11 Trial Balance

Candidates must be able to:

- 11.1 Explain the purpose of the Trial Balance
- 11.2 Prepare a Trial Balance from a list of account balances
- 11.3 Prepare a revised Trial Balance from one initially drafted incorrectly

11.4 Prepare a final Trial Balance after taking account of adjustments

11.5 Identify and explain the limitations of the Trial Balance as a means of checking the accuracy of the double entry

12 Adjusting for accruals and prepayments

Candidates must be able to:

12.1 Explain the meaning of an expense accrual

12.2 Explain the meaning of an expense prepayment

12.3 Make adjustments for end-of-period expense accruals and expense prepayments in the Profit and Loss Account and Balance Sheet

12.4 Explain the meaning of an income accrual

12.5 Explain the meaning of an income prepayment

Exclusion:

Candidates will not be required to prepare end of period adjustments in expense or income accounts for accruals or prepayments

13 Depreciation of fixed assets

Candidates must be able to:

13.1 Explain the nature of depreciation of fixed assets and the need for making provision in the accounts (with the awareness that this is not the putting by of cash for replacement)

13.2 Explain the basis of the straight line (or fixed instalment) method of depreciation

13.3 Calculate the amount of annual depreciation and its effect on the book value of a fixed asset, using the straight line method

13.4 Explain the basis of the reducing balance (or diminishing balance) method of depreciation

- 13.5 Calculate the amount of annual depreciation and its effect on the book value of a fixed asset, using the reducing balance method
- 13.6 Record the accounting entries for the straight line and reducing balance methods of depreciation, keeping the fixed assets account at cost and using a Provision for Depreciation Account to accumulate the yearly depreciation
- 13.7 Compare, through basic calculation, use of the straight line method and use of the reducing balance method
- 13.8 Record the entries in the Profit and Loss Account and Balance Sheet relating to fixed assets and their depreciation
- 13.9 Use the terms aggregate depreciation and net book value in the Balance Sheet

14 Bad debts

Candidates must be able to:

- 14.1 Record the accounting entries for writing off individual debtor balances, in whole or in part, using a Bad Debts Account
- 14.2 Record the end-of-period transfer of total debts written off from Bad Debts Account to the Profit and Loss Account
- 14.3 Record the accounting entries relating to the recovery of debts previously written off:
 - 14.3.1 if recovered within the same financial period in which the debt was written off; and/or
 - 14.3.2 if recovered after the year of writing off

Exclusion:

Candidates will not be required to prepare a provision for doubtful debts account

15 The Journal

Candidates must be able to:

- 15.1 Explain that the Journal is one of the Books of Original Entry
- 15.2 Explain the advantages of having a Journal, as a support to the double-entry system, and its main uses
- 15.3 Record journal entries, in standard format, covering:
 - 15.3.1 the purchase and sale on credit of fixed assets
 - 15.3.2 the correction of errors
 - 15.3.3 opening entries
 - 15.3.4 other non-regular transactions or adjustments

Note:

Each Journal entry should include the relevant date. It should also include a suitable narration, unless the question states that it is not required

16 Capital and revenue expenditure

Candidates must be able to:

- 16.1 Define, in brief, capital expenditure and revenue expenditure
- 16.2 Classify a list of items into capital expenditure and revenue expenditure respectively
- 16.3 Show the different ways in which capital expenditure and revenue expenditure items are dealt with in the accounts
- 16.4 Calculate the effect on final accounts of the incorrect treatment of capital expenditure and/or revenue expenditure

17 Errors in the accounts

Candidates must be able to:

- 17.1 Explain the difference between errors which affect agreement of the Trial Balance and those errors which do not affect such agreement
- 17.2 Identify those errors that do not affect agreement of the Trial Balance; and types of such errors

- 17.3 Select the relevant type of error from data provided
- 17.4 Record adjusting Journal entries
- 17.5 Show the effect of errors and/or the effect of the correction of errors both in principle as well as by calculation on:
 - 17.5.1 the Trial Balance (see 11.3)
 - 17.5.2 Gross Profit
 - 17.5.3 Net Profit
 - 17.5.4 the Balance Sheet

Exclusion:

The preparation of a Suspense Account is not required at this level

18 Effect of Profit (or Loss) and drawings upon capital

Candidates must be able to:

- 18.1 Explain and show that Profit (or Loss) is the difference between opening and closing capital balances (allowing for any drawings or the introduction of additional capital)
- 18.2 Explain the meaning of the term drawings; the various forms of drawings
- 18.3 Record the book-keeping entries for drawings
- 18.4 Calculate the possible effect of drawings upon the amount of capital
- 18.5 Record how drawings are stated in the Balance Sheet and, where necessary, in the Trading Account (where goods are withdrawn for private benefit)

19 Trading and Profit and Loss Accounts

Candidates must be able to:

- 19.1 Explain that the Trading and Profit and Loss Accounts are part of the double-entry system
- 19.2 Record the basic structure of income, costs and profit in a business

- 19.3 Record returns inwards and returns outwards suitably deducted to reveal net sales and net purchases respectively
- 19.4 Explain and apply the valuation concept of stock: the lower of cost or net realisable value
- 19.5 Calculate cost of goods sold
- 19.6 Show the make-up of 'cost of goods sold'

Note:

Wages should be included in the Trading Account only if a particular question requires this to be done

- 19.7 Differentiate between trading income and other income
- 19.8 Record in the Stock Account the double-entry relationship between the Trading Account and the Stock Account
- 19.9 Record end-of-period transfer of balances from the General Ledger to the Trading Account (Purchase Account, Sales Account, Returns Outwards Account and Returns Inwards Account)
- 19.10 Explain the difference between carriage inwards and carriage outwards and record them in the Trading Account and Profit and Loss Account respectively
- 19.11 Record the double-entries for expense amounts between the Profit and Loss Account and the individual expense accounts
- 19.12 Show income and expenses within the final accounts, with related items being suitably brought together
- 19.13 Prepare a Trading and/or Profit and Loss Account and calculate gross profit/net profit. (The presentation in the vertical format is preferred but the horizontal format will also be accepted).

20 The Balance Sheet

Candidates must be able to:

- 20.1 Explain the function of the Balance Sheet and, in particular, the recognition that it stands outside the double-entry system
- 20.2 Define the significance and use of the terms fixed assets and current assets
- 20.3 Understand the difference between long-term liabilities and amounts payable within 12 months (current liabilities); the naming of accounts which might appear under each of these headings
- 20.4 Prepare a Balance Sheet in effective format. (The presentation in the vertical format is preferred but the horizontal format will also be accepted).
- 20.5 Show the appropriate grouping of items within the Balance Sheet:
 - 20.5.1 Fixed Assets
 - 20.5.2 Current Assets
 - 20.5.3 Capital (or Proprietor's Interest)
 - 20.5.4 Long-term liabilities
 - 20.5.5 Amounts payable within 12 months (Current Liabilities)
- 20.6 Show the effective presentation of fixed assets to show, if appropriate: cost, aggregate depreciation, net book value
- 20.7 Show the appropriate inclusion of prepayments and accruals under 'Current Assets' and 'Amounts payable within 12 months' respectively

21 Control Accounts - an introduction

Candidates must be able to:

- 21.1 Explain that control accounts are an independent check on the sales and purchases ledgers
- 21.2 Explain that control accounts may be used to provide totals of debtors and creditors and locate errors

- 21.3 Identify and use the books of prime entry as sources of information for the control account entries

- 21.4 Record the following items into the relevant control accounts:
 - 21.4.1 Sales and purchases
 - 21.4.2 Receipts and payments
 - 21.4.3 Discounts
 - 21.4.4 Returns
 - 21.4.5 Bad debts

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Supporting learning
and performance