



LCCI Financial & Quantitative Qualifications

Assessment questions

Pearson LCCI Level 1 Certificate in Bookkeeping

- To what extent are prepayments and accruals examined at this level?*
Learners will not be required to produce ledger accounts to answer questions about prepayments and accruals at this level.
- Are learners expected to use IAS terminology at this level?*
Learners are expected to use IAS terminology at Level 1, so they become familiar with it. However, they will not be penalised if they do not.
- A customer has paid an invoice of, for example, \$500 by cheque \$497 after having been given a discount (discount allowed) of \$3. If the cheque is subsequently dishonoured, how is this recorded in the cashbook? Only the cheque amount of \$497 is recorded on the credit side. No discounts are recorded.*

Pearson LCCI Level 2 Certificate in Bookkeeping & Accounting

- Will learners be examined on specific allowance for doubtful debts?*
Learners will only be examined on general provision for doubtful debts.
- Where should current liabilities be placed in the Statement of Financial Position?*
Current liabilities should be placed at the bottom of the Statement of Financial Position, underneath non-current liabilities.
- How should learners calculate the allowance of doubtful debts in questions relating to control accounts?*
Learners should calculate the % allowance for doubtful debts on the debit balance shown in the Trade Receivables control account only.
- Will learners be examined on the calculation of Inventory stolen, lost or damaged?*
Yes, learners may be examined on the calculation of inventory stolen, lost or damaged.
- Will learners be examined on the sale of a partnership, whereby it is sold to a Limited company and the whole or part of the payment is in shares which are apportioned to the partners?*
No, learners will not be examined on this type of sale of a partnership.
- What will learners be examined on in relation to inventories?*
This is detailed in 5.4(b) of the specifications. Learners may be examined on the differences between raw materials, work in progress and finished goods. They will not be asked to calculate FIFO, LIFO or AVCO.
- Are control accounts part of the double entry?*
Yes, control accounts are part of the double entry.
- If learners are asked to produce the Statement of Profit or Loss or the Statement of Financial Position at this level, can they show all of the detail in the statement or are we expecting them to*

show workings separately (for example, under 'Admin Expenses')? Learners will not be penalised if they do not show their workings separately. However, learners will lose any marks allocated to total figure marks if a mark is allocated in the mark scheme (for example, total for Admin Expenses.)

Pearson LCCI Level 3 Certificate in Accounting

1. *Are marginal and absorption costing examinable and if so, how might they be examined?*
This is covered by 8.1 in the specifications. Learners will need to know the benefits and limitations of both marginal costing and absorption costing. Special order, make or buy and discontinued may be examined, but only in relation to marginal costing. Similarly, in the Statement of Profit or Loss, only marginal costing would be used to calculate the closing inventory figures. Learners may also be asked to calculate the margin of safety within the marginal costing topic area. Learners will not be examined on OAR, apportionment or limiting factor.
2. *Will annuities be examined under Net Present Value (investment appraisal method)?*
No, annuities will not be examined under Net Present Value.
3. *What formula should be used to calculate Accounting Rate of Return (investment appraisal method)?*
The formula for calculating ARR is $ARR = \text{average profit} / \text{average investment}$
The formula for calculating average investment is:
$$\text{Average investment} = (\text{initial investment} + \text{residual value}) / 2$$
4. *Is margin of safety examinable under Break Even?*
Yes, margin of safety may be examined under Break Even.
5. *When an item of inventory needs repairs (before sale at a value below cost), is any double entry required in the adjusted trial balance to show the expense of the repair?*
No separate entry is required. It will be adjusted on the closing inventory figure in the Statement of Financial Position.
6. *Are FIFO, LIFO and AVCO examinable within a question on budgeted Statement of Profit or Loss?*
No, FIFO, LIFO and AVCO will not be examined on a budgeted Statement of Profit of Loss.
7. *Will learners be examined on the merger of two sole traders into a partnership?*
Yes, learners may be examined on the merger of two or more sole traders into a Partnership. This is covered in 4.1d.
8. *Will learners be examined on the merger of two partnerships (amalgamations)?*
Yes, the merger of two partnerships to form another partnership may be examined. This is covered in 4.1e.
9. *Will learners be examined on the merger of partnerships into a limited company?*
No, learners will not be examined on the merger of partnerships into a limited company, but they will be examined on the conversion of a partnership into a limited company. This is covered in 4.1e.

10. *How should expenses be categorised for company accounts?*
Discounts Allowed and Discounts Received should be categorised under Administration Expenses for company accounts.
11. *When there is a loan in a Statement of Financial Position, will you require the loan interest to be adjusted when arriving at the operating profit in the Statement of Cash Flows?*
No interest or tax adjustments will be required.
12. *Will bonus issue appear as a part of the increase in share capital within the Statement of Cash Flows and the net profit adjusted accordingly?*
For bonus issue, there is no cash involved and it is therefore not included. However, rights issue would be included.
13. *Is tax examinable and to what extent?*
There will be no calculations of tax in any paper, Tax figures will be provided and learners are required to understand how tax should be treated.
14. *Are extended trial balances for partnerships examinable?*
Learners may be assessed on extended trial balance for sole traders or partnerships, but not for companies.
15. *Are learners expected to use IAS 1 format with notes when preparing a Statement of Financial Position (SOFP) for a Sole Trader OR use the simple layout where everything is shown on the face of the Statement of Profit and Loss, as with Level 1 and Level 2?*
Learners can put the expenses under a general heading when dealing with SOFP for Sole Traders.
16. *When preparing a Statement of Profit or Loss (SOPL) for a Private Limited Company, are learners required to use IAS 1 format with notes (which is applicable for public companies) OR use the simpler layout where expenses are in the classified categories on the face of the Statement?*
When preparing a SOPL for a Private Limited Company, learners must put the correct figures under the correct headings. The specifications are being updated to confirm that all statements should be prepared for publication and not for internal use, in accordance with relevant IAS layout. We are producing a template layout as additional support for you and your learners, which will be available on the Pearson Qualifications website shortly.
17. *Are dividends proposed but approved by shareholders examinable?*
There are no appropriation accounts examined in this qualification. Dividends, whether proposed or agreed, should be detailed in the notes for the Statement.
18. *Is negative goodwill examinable and if so, how should learners treat it?*
Negative goodwill and amortisation are not examined at Level 3, but are at Level 4.
19. *How should learners treat purchase/sale of short term investments?*
These should be included in cash and cash equivalents.
20. *When testing partnerships and the change in sharing ratios/change in interest - is pre/post appropriation examinable?*
Yes, learners could be examined on pre/post appropriation. This is included in 4.1(c) of the specifications.

21. *Are learners required to use IAS presentations for budgeted financial statements?*
No, IAS presentations are not required for budgeted financial statements.
22. *In a budgeting question on a recent paper, trade discount for sales and purchases were treated as a cash discount. What is the rationale for this?*
This specific question was about a cash discount (relating to payment within 14 days).
Learners will not be asked questions about trade discounts within the budgeting topic.
23. *Will learners be required to prepare the revaluation account in the formation of a partnership?*
The agreed price and the revalued price are essentially the same thing. Learners are expected to prepare the revaluation account to work out the profit or loss on revaluation.
24. *How should learners treat dividends?*
If not paid, dividends should be detailed in the notes to the financial statements
If they have been paid, then they should be included in the Statement of Changes in Equity. Dividends on irredeemable shares is included in the specification for this level, but dividends on redeemable shares is not examined.
25. *When dealing with group accounts, will learners be examined on cases where an acquisition took place either in the middle of the year concerned or some years ago before the year concerned?*
No, learners will not be examined on cases where an acquisition took place either in the middle of the year concerned or some years ago before the year concerned.
26. *In relation to partnerships, should the increase in goodwill go through the Revaluation Account or straight to the Credit of the Capital Accounts?*
Both methods are acceptable, but we would advise separating out the two accounts.
27. *In relation to the calculation of net profit as a percentage of revenue and return on capital employed (ROCE), should learners use net profit BEFORE interest and tax or net profit AFTER interest and tax?*
Net profit as a percentage of revenue should use net profit after interest and tax. For return on capital employed, net profit before interest and tax should be used.
28. *Will learners be examined on the dissolution of a partnership?*
Learners will need to close the partnership before converting into a Limited Company.
This is included in 4.1e of the specifications.
29. *Is it acceptable for learners to show the net discount figure in the Realisation account, rather than showing the two separate entries?*
Both net figures and separate figures are acceptable.
30. *Can learners show workings on the face of Statement of Profit or Loss, Statement of Financial Position, Statement of Cash Flow and Statement of Changes in Equity?*
Workings must be shown underneath the Statements. However, in the new-style exam papers, specific workings space has been provided.
31. *When dealing with unrealised profits in group accounts, will learners be assessed on current accounts or accounts in transit?*
No, these are assessed at Level 4.
32. *In a cash flow statement, if there is an acquisition of a non-current asset to replace an old non-*

current asset which has a trade-in value, can the acquisition price and trade-in values be shown separately or do they have to be shown as the net figure paid?

In this instance, the net figure only should be shown in the statement of cash flows as the trade in value is not a cash out flow.

33. *Will learners be examined on control accounts, errors, manufacturing accounts or non-profit making organisations?*

Control accounts may be examined as part of the treatment of incomplete records. Errors can be examined as part of the Extended Trail Balance adjustments and there may also be written questions on errors. Manufacturing accounts and no-profit making organisations will not be examined at Level 3.

34. *Will learners be examined on proposed and approved dividends before the end of the year*

Please see the responses to questions 17 and 24. Learners are expected to know how to treat proposed and agreed dividends and paid dividends, including interim dividends.

35. *Will learners be assessed on the following in relation to consolidated accounts:*

i. *Goodwill impairment loss in the financial statements*

No, this is not examined until Level 4.

ii. *Inter-company balances*

Yes, this may be examined at Level 3.

iii. *Provision for unrealised profit on closing inventory*

This is not examined until Level 4.

iv. *Additional depreciation charge as a result on fair value adjustments*

This is not examined.

v. *Acquisition of a subsidiary during the year*

This is not examined.

36. *Can the following method be used to calculate goodwill:*

Goodwill = FV of consideration paid + FV of NCI at acquisition - FV of net assets at acquisition

Yes, this method of calculating goodwill is acceptable.

37. *Will learners be examined on the following in relation to statement of cash flows:*

i. *Interest paid*

This is not examined until Level 4

ii. *Dividends paid*

Yes, this may be examined at Level 3

iii. *Taxation paid*

This is not examined until Level 4

38. *With relation to published accounts, should investment income appear under 'other income' or as a separate heading?*

In the Statement of Cash Flows, it should be listed under 'Investing activities' and after 'profit from operations' in the Statement of Profit or Loss.

39. *In relation to the sale or conversion of a partnership to a limited company, will the learner be required to include entries in the books of the company?*

No, this is examined at Level 4.

Pearson LCCI Level 4 Certificate in Financial Accounting

1. *Will learners be examined on the proportionate method of calculating goodwill as well as the full method?*

Students will only be required to calculate goodwill using the proportionate method. The full method will not be assessed.