



Examiner hints and tips:

Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ) ASE20097

1. Candidates must learn the purpose of the accounting concepts and principles of professional ethics and practice on how to relate these to the scenario given.
2. Creation of goodwill is always shared among the partners in the old profit sharing ratio and elimination of goodwill is always shared among the partners in the new profit sharing ratio.
3. The change in the allowance for doubtful debts entry is never recorded in the trade receivables account. Trade receivable balance is used to calculate the closing balance for the allowance for doubtful debts. Change in the doubtful debts is shown by debiting or crediting allowance for doubtful debts and the corresponding opposite entry is either by crediting or debiting the allowance for doubtful debts adjustment account.
4. Candidates must know that the statement of cash flows last two lines and net increase or decrease in the cash and cash equivalent for the year must match with the cash and cash equivalent balances at the beginning and end of the year provided in the question.
5. Candidates must show their workings and use the ledger accounts or format to help themselves to work out the missing information as required.
6. Candidates must learn the relevant definitions according to the International Accounting Standards.
7. To analyse the ratios always state the possible reason for the change by relating it to the information provided rather than stating that the ratios is increased or decreased.
8. Candidates must use the new terminology.
9. Narrative for journal is what has been done through journal.
10. Candidates must relate their answers to the situations / scenarios provided.
11. Candidates must ensure that the total assets and total of the equity and liabilities must be equal.
12. Drawings are not recorded in the partnership appropriation and capital accounts. It is only interest on drawings which is recorded in the partnership appropriation account.
13. Last two rows of statement of cash flows must end with the cash and cash equivalents at the beginning of the year and at the end of the year with the figures provided. Candidates must not change these figures. Candidates must ensure that

- the increase or decrease in cash and cash equivalents during the year must be equal to the difference in the cash and cash equivalent at the beginning and at the end of the year.
14. Candidates must use the specific terminology/ words for describe and define questions especially where accounting standards or framework is stated in the question.
 15. To ensure that the journal entries for all the transactions have been recorded, the debit and credit columns of adjustment column must balance.
 16. Ratio analysis must include the possible reasons for change in ratios (with previous years/with other business or with industry average) and should look at the impact of one ratio on another or on business due to increase or decrease in the ratios. Always round up the figure for the days for the ratios. For evaluation candidates must support their decision with valid reasons.
 17. Candidates must understand the purposes of maintaining the various accounting records such as non-current assets register, rather than just how to prepare it.
 18. Inventory valuation is done item by item using the IAS2 Inventories, which states that the inventory is valued at cost or net realisable value, whichever is lower.
 19. Trade discount is only recorded on the invoice not in any other financial records.
 20. Do not use abbreviations for the names of the accounts such as GP for gross profit.
 21. For ledger accounts, always bring the balances down to the next period.
 22. Do not use abbreviations for the details for ledger accounts such as b b/d or b c/d for balance b/d or balance c/d.
 23. Candidates must ensure that the total assets and total of the equity and liabilities must be equal.
 24. Candidates must show or calculate the figures individually for the depreciation and profit or loss on disposal individually, according to the assets rather than in total for all the assets.

Summary

Candidates demonstrated clear understanding of how to work out the missing information from the incomplete records. Preparation of financial statements of a sole trader, partnerships and statement of cash flows for companies as well as reconciliation of profit for the year to net cash from the operating activities for companies and calculation of ratios.

The candidates will benefit from the following:

- Practice preparing the ledger accounts with date columns for correct recording of the dates.
- Prepare time line for the accounting period to have the correct split of the profit during year due to change in the profit sharing ratio during the year.
- Practice preparing the adjustment columns for the extended trial balance by doing the journal entries with narratives.
- Learn and practice the International Accounting Standards (IAS) terminology and formats.
- Practice on relating the concepts to the scenarios.
- Practice at looking at the advantages and disadvantages of different organisations in comparison to other forms of the organisation.
- Practice journal entries for the adjustments and business transaction and then recording in adjustment columns of extended trial balance.
- Practice labelling all the items in the financial statements and totals for each section/sub section.
- Candidates must show their workings with reference number such as W1, W2 etc on the lined pages of the question paper.
- Practise not just the preparation of the financial records/financial statements but also why to prepare these financial records/financial statements, to understand the importance of each financial records/financial statement.
- Understand the importance of each financial statement or any other accounting records.
- Practise to analyse the results from the ratios calculated and the information provided.
- Practise labelling all the items in the financial statements and totals for each section/sub section.