

# Pearson LCCI

## Certificate in Bookkeeping and Accounting (VRQ) Level 2

Thursday 7 July 2016  
Time: 2 hours 30 minutes

Paper Reference  
**ASE20093**

Complete the details below in block capitals.

Candidate name

Centre Code

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Candidate Number

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Candidate ID Number

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**You do not need any other materials.**

Total Marks

### Instructions

- Use **black** ink or ball-point pen  
– pencil can only be used for graphs, charts, diagrams, etc.
- **Fill in the boxes** at the top of this page with your name, candidate number, centre code and your candidate ID number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– there may be more space than you need.
- Answers should be given to an appropriate degree of accuracy.

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– use this as a guide as to how much time to spend on each question.
- Calculators may be used.

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- You are advised to show your workings.
- Check your answers if you have time at the end.

Turn over ►

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PEARSON

**Answer ALL questions. Write your answers in the spaces provided.**

- 1** On 31 January 2016 Lunar sent the following document to Saturn Trading, a customer.

Lunar 23 Sun Court Blackheath				
<b>Customer:</b> Saturn Trading			<b>Date:</b> 31 January 2016	
Date	Details	Debit (\$)	Credit (\$)	Balance (\$)
1 Jan	Balance b/f			850 (Dr)
10 Jan	Sales	1 340		2 190 (Dr)
16 Jan	Returns		250	1 940 (Dr)
21 Jan	Payment received		816	(i)
21 Jan	Discount		34	(ii)

- (a) State the name of this document.

(1)

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- (b) Calculate the amount to be entered at:

(2)

(i) .....

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(ii) .....

.....

- (c) State **one** reason why this document is produced.

(1)

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(d) Complete the following table to show the document and book of original entry for each transaction.

(4)

Transaction date	Document	Book of original entry
10 January 2016		
16 January 2016		

(e) (i) Explain the purpose of the discount given to Saturn Trading on 21 January 2016.

(2)

(ii) State how this discount will be recorded in the books of Lunar and the books of Saturn Trading:

(4)

	Account to be debited	Account to be credited
Books of Lunar		
Books of Saturn Trading		

(Total for Question 1 = 14 marks)



- 2 Ashani produced the following incorrect trade receivables control account on 31 December 2015.

**Trade Receivables Control Account**

Date	Details	\$	Date	Details	\$
1 Dec	Balance b/f	12 800	31 Dec	Returns outwards day book	2 453
31 Dec	Cash book (discount)	125	31 Dec	Sales day book	21 780
31 Dec	Journal (trade payables ledger set off)	350	31 Dec	Returns inwards day book	1 290
31 Dec	Balance c/d	23 698	31 Dec	Cash book (bank)	11 450
		<u>36 973</u>			<u>36 973</u>
			1 Jan	Balance b/d	23 698

On 31 December 2015 Ashani had also omitted to enter the following transactions into her ledger.

- A credit customer had advised Ashani that she would be unable to pay her outstanding debt of \$400.
  - This was to be treated as an irrecoverable debt.
- A cheque received from a credit customer for \$250 had been dishonoured by his bank.
  - This customer had been allowed \$25 cash discount.



- (a) Prepare the corrected trade receivables control account at 31 December 2015.  
Balance the account on that date and bring the balance down to 1 January 2016.

(11)

Trade Receivables Control Account


- (b) Explain how a set off (contra entry) between the trade receivables ledger and the trade payables ledger can arise.

(2)



- Ashani had withdrawn goods from the business costing \$300 for her own use. This had not been entered in the accounts.
- A sale of goods, \$245, had been entered in the bank account correctly but no other entries had been made.
- Repairs to a motor vehicle, \$45, had been charged to the motor vehicle account.
- A cheque for \$56 received from a T Wong had been entered in the cash book correctly but posted to the customer's account as \$50.

**Narratives are required.**

(12)

[illegible]

**(Total for Question 2 = 25 marks)**

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- 3 You have been asked to assist in the preparation of the end of year accounts for several clients.

### Poynter Manufacturing

Poynter Manufacturing, a manufacturer of designer furniture, provided you with the following information relating to the year ended 31 December 2015.

	1 January 2015 \$	31 December 2015 \$
Inventories		
Raw materials	5 000	6 750
Work-in-progress	3 211	4 611
Finished goods	7 500	8 125

	For the year ended 31 December 2015 \$
Factory power	26 389
Depreciation charge – factory machinery	7 000
Factory wages	37 450
Supervisors' salaries	18 011
Purchase of raw materials	64 300





(a) Prepare the manufacturing account for the year ended 31 December 2015.

(10)

**Poynter Manufacturing**  
**Manufacturing Account**  
**For the year ended 31 December 2015**

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Area with horizontal dotted lines for writing the manufacturing account.



### Ken and Deirdre's Fashions Limited

A small trader that specialises in the design and sale of vintage style clothing.  
On 20 December 2015 it had the following balances in its books:

Rent received                \$6 050

Mair Choi                    \$1 750

During the final week of December the tenant paid \$550 to cover the outstanding rent for December 2015 and a further \$550 to cover the rent for January 2016.

- (b) Prepare the rent received account for the year ended 31 December 2015, clearly showing any transfers to the income statement. Balance the account on 31 December 2015 and bring the balance down to 1 January 2016.

(4)

#### Rent Received Account




On 31 December 2015 the business was advised that Mair Choi was unable to pay his outstanding debt and it was agreed to write this off as an irrecoverable debt.

- (c) Prepare the account of Mair Choi **and** the irrecoverable debts account for the month of December 2015, clearly showing any transfers to the income statement.

(4)

**Mair Choi Account**


**Irrecoverable Debts Account**




### Towers Climbing Club

Towers Climbing Club, a local club for climbing enthusiasts, has provided the following information relating to subscriptions received.

	1 January 2015	31 December 2015
Subscriptions in arrears	\$ 230	\$ 210
Subscriptions in advance	\$ 300	\$ 420

During the year ended 31 December 2015:

- The club received \$7 500 in subscriptions from members.
- This **included** \$200 of the subscriptions in arrears on 1 January 2015.
- The remainder is to be written off.



- (d) Prepare the subscriptions account for the year ended 31 December 2015.  
 Balance the account on that date and bring the balances down to 1 January 2016. (7)

Subscriptions Account


(Total for Question 3 = 25 marks)



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- 4** On 1 March 2015 Mary, Martha and Margaret formed a new company providing consultancy services for business. They did not prepare a partnership agreement.

On that date each partner contributed the following amounts of capital:

	\$
Mary	10 000
Martha	5 000
Margaret	25 000

On 1 August 2015 Mary contributed a further \$10 000 of capital.

On 29 February 2016 the income statement showed that the business had made a profit for the year of \$75 000.

- (a) Prepare the appropriation account for the partnership for the year ended 29 February 2016.

(3)

**Mary, Martha and Margaret  
Appropriation Account  
For the year ended 29 February 2016**



During the year, partners withdrew the following amounts from the business for personal use:

- Mary \$3 200
- Martha \$2 600
- Margaret \$1 650

In addition, Martha withdrew goods for her own use costing \$395.

Margaret paid the rental payment for February 2016, \$750, from her own monies.

- (b) Prepare the capital account of Mary for the year ended 29 February 2016.  
Balance the account on that day and bring the balance down to 1 March 2016.

(3)

**Capital Account – Mary**




- (c) Prepare the current accounts of Martha and Margaret for the year ended 29 February 2016. Balance the accounts on that day and bring the balances down to 1 March 2016.

(6)

**Current Account – Martha**






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Current Account – Margaret




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At the end of the first year's trading the partners decided to prepare a partnership agreement in order to address the following concerns that they had.

1. Partners have been withdrawing different amounts of money during the year.
2. Mary has taken a more active part in the day-to-day management of the partnership.

- (d) (i) Explain the procedures the partnership could include in its agreement in order to address these two concerns.

(4)

1 .....

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2 .....

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- (ii) Complete the table below, with a tick (✓), to show how **each** of these procedures would be shown in the books of account of the partnership for the year ended 28 February 2017.

(4)

	Current Account		Appropriation Account	
	Debit	Credit	Debit	Credit
1				
2				

(Total for Question 4 = 20 marks)



5 (a) Explain the meaning of each of the following accounting concepts.

(i) Business entity

(2)

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(ii) Going concern

(2)

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Jay Bird provided the following information from his financial statements for the year ended 31 December 2015.

	\$
Revenue	875 000
Gross profit	262 500
Profit for the year	78 750
Capital employed	984 375

(b) Calculate the following ratios for the year ended 31 December 2015.  
Clearly show the formula used.

(i) Gross profit as a percentage of revenue

(2)

(ii) Profit for the year as a percentage of revenue

(2)

(iii) Return on capital employed

(2)



Jay Bird’s cousin, Robin, operates a similar business which Jay Bird is considering investing in. Jay Bird has been advised by Robin that he has achieved the following ratios for the year ended 31 December 2015.

Gross profit as a percentage of revenue	40%
Profit for the year as a percentage of revenue	5%
Return on capital employed	12%

(c) Explain **one** reason for the difference between **each** of the two business’s ratios.

(i) Gross profit as a percentage of revenue (2)

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(ii) Profit for the year as a percentage of revenue (2)

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(iii) Return on capital employed (2)

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(Total for Question 5 = 16 marks)

TOTAL FOR PAPER = 100 MARKS

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