

Pearson LCCI

Certificate in Bookkeeping and Accounting (VRQ) Level 2

Thursday 8 September 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 Asha maintains a full set of accounting records, including control accounts.
 (a) State in which book of original entry each of the following totals would be found.

(4)

Total	Book of original entry
Discount received	
Credit purchases	
Receivables ledger contra	
Interest charged by trade payables	

On 31 December 2015, Asha produced the following incorrect trade payables control account.

Trade Payables Control Account

Date	Details	\$	Date	Details	\$
1 Jan 15	Balance b/d	22 600	31 Dec 15	Trade payable payments	21 250
31 Dec 15	Discounts received	725		Contra	125
	Returns inwards	1 245		Returns outwards	2 955
	Interest charged by trade payables	142		Discounts allowed	350
	Credit purchases	37 900		Balance c/d	37 932
		<u>62 612</u>			<u>62 612</u>
1 Jan 16	Balance b/d	37 932			

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

(8)

Trade Payables Control Account

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The following trade payable balances appear in the books of Asha at 31 December 2015.

Narrative	\$
Barlow and Sons	10 000
C Dangle	8 630
S Smythe	5 028
T Jones	5 679
T Yates Ltd	3 250
Websters	2 858

- (c) (i) Prepare the reconciliation of the trade payables control account to the sum of the balances in the trade payables ledger identifying any discrepancy.

(2)

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- (ii) Describe why the discrepancy may have occurred.

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(d) Explain **two** reasons why it is important to reconcile the control account balance to the balance in the subsidiary ledger accounts when preparing financial statements.

(4)

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(Total for Question 1 = 20 marks)



- 2 You have been asked to assist in the preparation of the end of year accounts for Webster's Auto Centre.

The following balances have been provided relating to the year ended 30 June 2016.

	30 June 2016 \$
Allowance for doubtful debts	760
Bank charges	320
Bank interest received	695
Discount allowed	275
Discount received	355
Equipment repairs	1 268
Insurance	1 995
Inventory at 1 July 2015	6 245
Light and heat	3 455
Motor vehicle – cost	20 000
Motor vehicle – accumulated depreciation	7 600
Office equipment – cost	12 500
Office equipment – accumulated depreciation	2 500
Purchases	32 225
Rent	12 500
Returns inwards	1 125
Returns outwards	850
Revenue	52 850
Telephone	2 756
Trade payables	11 245
Trade receivables	18 695

Additional information

- Inventory at 30 June 2016 was \$10 292
- Rent includes \$1 500 for the quarter ended 31 July 2016.
- Telephone bill received on 3 July 2016 of \$400 relates to June 2016.
- An irrecoverable debt of \$650 is to be written off.
- An allowance for doubtful debts of 2% is to be maintained.
- Motor vehicles are to be depreciated at 20% reducing (diminishing) balance method.
- Office equipment depreciation of \$500 is to be charged.



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- 3 Tom and Jon are in partnership sharing profit and losses 4:2 respectively. Their partnership agreement provides for partners to receive 5% interest on opening capital.

At the year ended 31 December 2014, the capital and current account balances were:

	Capital account	Current account
Tom	\$30 000	\$1 550 Cr
Jon	\$15 000	\$250 Dr

On 1 July 2015 Don joined the partnership investing \$8 000 by cheque. The new profit sharing ratio for Tom, Jon and Don became 4:2:2 respectively. It was also agreed that Tom would start receiving a salary of \$12 000 per annum.

Goodwill was valued at \$24 000. Goodwill is not to be maintained in the accounts.

During the year ended 31 December 2015 profit for the year was \$153 600. Profits were evenly earned throughout the year.

Drawings were as follows:

Partner	Drawings	Interest on drawings
Tom	\$2 000 per month	\$720
Jon	\$18 000 per annum evenly distributed	\$540
Don	\$1 000 per month	\$144

- (a) Prepare the opening entries in the appropriate accounts to record Don's investment on 1 July 2015.

(2)



(c) Prepare the current accounts for Tom, Jon and Don for the year ended 31 December 2015. Dates are not required.

(7)

Current Accounts

Details	Tom \$	Jon \$	Don \$	Details	Tom \$	Jon \$	Don \$

(d) Prepare the capital accounts for Tom, Jon and Don for the year ended 31 December 2015. Dates are not required.

(9)

Capital Accounts

Details	Tom \$	Jon \$	Don \$	Details	Tom \$	Jon \$	Don \$

(Total for Question 3 = 25 marks)

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- 4 You have recently been appointed as the treasurer of the Paisley Park Social Club. You are advised that on 1 June 2015 the club had the following assets and liabilities.

	\$
Clubhouse	10 000
Sports equipment	2 500
Cash at bank	1 000
Subscriptions in arrears	395
Subscriptions in advance	92
Inventory of refreshments	461
Amounts owed to suppliers of refreshments	123

- (a) Calculate the accumulated fund at 1 June 2015.

(3)

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5 (a) Complete the following table to show which accounting concept is being applied.

(3)

Situation	Accounting Concept
Inventory that had originally cost \$200 could only be sold for \$150	
Depreciation of motor vehicles is always 20% reducing balance method.	
It is assumed that Shaws Ltd will continue to trade in the foreseeable future.	

The following information has been given by Shaws Ltd for the year ended 30 April 2016.

	\$
Opening inventory	6 900
Closing inventory	11 900
Cost of sales	29 500
Overheads	6 825
Revenue is marked up at 30% on cost.	

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(b) Calculate the following ratios:

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

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(ii) Rate of inventory turnover

(3)

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Shaws Ltd provided the following information from its financial statements for the year ended 30 April 2015.

Gross profit as a percentage of revenue	28%
Rate of inventory turnover	125 days

(c) Explain the change in each ratio and the potential impact on the business's profitability and liquidity.

(i) Gross profit as a percentage of revenue

(3)

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(ii) Rate of inventory turnover

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(Total for Question 5 = 15 marks)

TOTAL FOR PAPER = 100 MARKS



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