

Pearson LCCI

Certificate in Bookkeeping and Accounting (VRQ) Level 2

Friday 9 December 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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Answer ALL questions. Write your answers in the spaces provided.

- 1 (a) State **one** purpose of the general ledger.

(1)

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- (b) Complete the table to show the **source document** and **book of original entry** used for each of the following transactions.

The first transaction has been completed as an example.

(5)

Transaction	Source document	Book of original entry
Goods sold on credit	<i>Sales invoice</i>	<i>Sales day book</i>
Goods returned to a credit supplier		
Payment sent in the post to a credit supplier		
Rent paid by direct debit		
Payment from a trade receivable		
Purchase of a motor vehicle on credit		

- (c) State **two** reasons why a statement of account is produced for a customer.

(2)

1

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2

.....



Harold started business on 1 June 2016. During the month of June 2016 he completed the following sales day book.

Date 2016	Details	Invoice number	Amount \$
2 June	Fred Bloggs	101	1 050
10 June	Joseph Brammer	102	750
12 June	Jake Gameson	103	1 555
15 June	Joe Horner	104	2 070
30 June			

(d) Complete the following table using the information provided by Harold for the month of June 2016 to show the entries for each date.

(6)

Date 2016	Subsidiary Ledger		General Ledger			
			Control Account		Sales Account	
	Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$
2 June						
10 June						
12 June						
15 June						
30 June						

(Total for Question 1 = 14 marks)



2 Scarlett provided the following information for the year ended 31 October 2016.

	\$
Trade payables at 1 November 2015	23 260 1 050 Dr
Trade receivables at 1 November 2015	22 560 1 828 Cr
Contra	920
Credit sales	19 083
Discount allowed	1 500
Discount received	1 270
Dishonoured cheque from a trade receivable	1 950
Interest charged to trade receivables	550
Interest on trade payables	75
Irrecoverable debts written off	1 950
Payments to trade payables	15 275
Receipts from trade receivables	To be calculated
Returns inwards	1 245
Returns outwards	2 955
Trade payables at 31 October 2016	19 750 202 Dr
Trade receivables at 31 October 2016	18 775 175 Cr



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- (a) Prepare the trade receivables control account at 31 October 2016. Balance the account on that date and bring the balance down to 1 November 2016. (10)

Scarlett
Trade Receivables Control Account



On 31 October 2016 Scarlett's receivables ledger balances were:

Customer	\$
T Smythe	5 633
F Forde	175
S Ford	7 296
S Hanno	4 671
AJH	1 000

- (b) Prepare a reconciliation statement of the trade receivables control account and the sum of the balances in the receivables ledger at 31 October 2016.

(3)

Scarlett
Reconciliation statement at 31 October 2016

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(c) (i) Explain how the difference identified in (b) may have occurred.

(1)

(ii) Describe what Scarlett should do in order for the subsidiary ledger and trade receivables control account to reconcile.

(3)

(Total for Question 2 = 17 marks)



- 3 Jake's first year of trading ended on 31 March 2016. He had not kept full accounting records, however he believed that he made a gross profit margin of 20%.

The following balances have been provided relating to the year ended 31 March 2016.

	\$
Revenue	80 000
Inventory	6 000
Bank interest paid	120
Discount received	130
Rent	2 200
Insurance	900
Telephone	700
Light and heat	1 440
Motor vehicles – cost	5 200
Trade receivables	4 200
Trade payables	950
Bank	1 500
Cash	100

Additional information

- Rent included \$520 relating to the month ended 30 April 2016.
- Telephone bill received on 3 April 2016 for \$150 related to March 2016.
- An irrecoverable debt of \$200 was to be written off.
- An allowance for doubtful debts of 2% was to be introduced.
- Motor vehicles were to be depreciated by 20% using the reducing (diminishing) balance method.



(a) Prepare the income statement for the year ended 31 March 2016.

(15)

Jake
Income statement for the year ended 31 March 2016

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(b) Explain to Jake how the following accounting concepts apply to his business.

(i) Going concern

(2)

(ii) Consistency

(2)

(iii) Materiality

(2)

(Total for Question 3 = 21 marks)



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- 4 Paul and Barry have been in partnership for many years sharing profits and losses in the ratio 60:40. They do not maintain separate current accounts.

On 20 September 2016 they dissolved the partnership.

The following information was available at that date.

	\$
Premises	90 000
Fixtures and fittings	2 400
Motor vehicle	6 000
Inventory	6 200
Trade receivables	9 000
Bank	1 800
Trade payables	6 000
Capital – Paul	50 000
Capital – Barry	59 400

On 20 September 2016

- Premises were sold for \$98 000
- Inventory was sold for \$5 000
- Fixtures and fittings were sold for \$1 400
- Trade receivables paid \$8 000
- All trade payables were paid in full.
- The motor vehicle was taken over at the carrying value of \$6 000 by Barry, who paid \$1 000 by cheque.
- Dissolution costs of \$600 were paid in full.



(a) Prepare the realisation account.

(15)

Realisation Account



(b) Prepare the bank account.

(9)

Bank Account

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(c) Prepare the capital accounts for Paul and Barry.

(6)

Capital Account – Paul

Capital Account – Barry

(Total for Question 4 = 30 marks)

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- 5 Rodeo Products Ltd manufactures the product Rodeo. The following information is available at 31 July 2016.

	\$
Inventory of raw materials at 1 August 2015	6 000
Inventory of raw materials at 31 July 2016	10 500
Inventory of work in progress at 1 August 2015	4 500
Inventory of work in progress at 31 July 2016	5 200
Direct labour	42 600
Indirect labour	29 400
Purchase of raw materials	87 000
Factory power	8 900
Royalties	1 400
Factory consumables	4 350
Carriage inwards on raw materials	1 800
Factory rent	14 300
Depreciation charge on factory plant and machinery	5 200
Insurance	2 650
General factory expenses	4 230

Additional information

- Indirect labour and factory rent are to be apportioned by 60% production, 40% administration.
- Insurance of \$1 000 relates to administration.



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(b) Define the following terms, using an example from Rodeo Products Ltd.

(i) Direct costs

(2)

(ii) Indirect costs

(2)

Over the past three years Rodeo Products Ltd has been experiencing a decline in profitability.

(c) Explain **one** consequence to the business if this trend continues.

(3)

(Total for Question 5 = 18 marks)

TOTAL FOR PAPER = 100 MARKS



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