

Pearson LCCI

Certificate in Bookkeeping and Accounting (VRQ) Level 2

Thursday 9 March 2017
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** At the end of the financial year Jenny's trial balance did not balance. The following errors were discovered.

Error	Transaction
A	A credit note received from Gayle, \$360, had been posted to Gail's account.
B	The sales day book had been overcast by \$100
C	Credit purchases of \$485 from George had not been entered in the accounts.
D	James, a trade receivable, paid his account balance of \$1 640 by cheque. This had not been recorded in the cash book.
E	Interest received of \$86 had been posted to the debit side of the interest payable account.

- (a) Complete the table to identify and name **two** errors that will **not** affect the balancing of the trial balance.

(4)

Error	Type of error



(b) Prepare journal entries to correct all the errors. Narratives are **not** required.

(11)

Account	Debit \$	Credit \$



P 5 4 2 5 0 A 0 3 2 0

(c) Prepare the suspense account to identify the opening balance. Dates are **not** required.

(5)

Suspense Account

(Total for Question 1 = 20 marks)

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2 Tete Ltd provided the following information on 1 February 2016.

	\$
60 000 ordinary shares at \$1 each	60 000
25 000 5% preference shares at \$1 each	25 000
Retained earnings	87 370

During the year ended 31 January 2017:

- 10 000 ordinary shares were issued at \$1.50 each
- Preference dividends were paid in full, and an ordinary share dividend of \$0.08 per share was paid.
- Profit for the year was \$121 400

(a) Prepare the statement of changes in equity for the year ended 31 January 2017.

(9)

Tete Ltd
Statement of changes in equity for the year ended 31 January 2017

	Share capital \$	Share premium \$	Retained earnings \$	Total \$
Balance at 1 February 2016				
Profit for the year				
Dividends				
Issue of share capital				
Balance at 31 January 2017				



(2)

(2)

1

2

(2)



- 3 Amanda and Barry are in partnership. They do not have a partnership agreement. The following balances were extracted on 31 January 2017.

	\$
Capital account - Amanda	50 000
Capital account - Barry	70 000
Current account - Amanda	15 840
Current account - Barry	16 910
Cash at bank	14 119
Inventory	18 963
Property, plant and equipment - carrying value	143 060
Trade payables	52 836
Trade receivables	29 444

On 1 February 2017

- Charles joined the partnership and a partnership agreement was drawn up. It was agreed that profits and losses would be shared between Amanda, Barry and Charles in the ratio 2:2:1
- Assets and liabilities were revalued at:

Property, plant and equipment	\$195 000
Inventory	\$17 463
- An amount of \$650, owed by a trade receivable was irrecoverable.
- The partners agreed that goodwill was to be valued at \$40 000. This was not to be kept in the accounts of the partnership.
- Charles:
 - paid a cheque into the business bank account for his share of the goodwill
 - introduced a motor vehicle valued at \$14 300
 - paid a further \$30 000 into the business bank account.



(a) Prepare the revaluation account. Dates are **not** required.

(5)

Revaluation Account

(b) Prepare the capital accounts to show the introduction of Charles into the partnership on 1 February 2017. Balance the accounts on that date and bring the balances down on 2 February 2017.

(8)



Capital Account

Date	Details	Amanda \$	Barry \$	Charles \$	Date	Details	Amanda \$	Barry \$	Charles \$

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(d) State **three** provisions of the Partnership Act 1890 that apply in the absence of a partnership agreement.

(3)

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(e) Explain the purpose of interest of drawings and how this is accounted for in the books of a partnership.

(4)

(Total for Question 3 = 30 marks)



P 5 4 2 5 0 A 0 1 3 2 0

- 4 Restormel Golf Club provided the following information for the year ended 31 January 2017.

	1 Feb 2016 \$	31 Jan 2017 \$
Accounts payable - clubhouse supplies	5 920	6 150
Clubhouse inventory	18 160	16 450
Light and heat owing	590	710
Equipment – cost	86 500	91 300
Equipment – accumulated depreciation	27 300	To be calculated
Property	900 000	900 000
Subscriptions - in arrears	4 200	3 850
Subscriptions - in advance	4 950	2 300

Receipts and Payments Account

Date	Receipts	\$	Date	Payments	\$
1 Feb 16	Balance b/f	4 860	31 Jan 17	Clubhouse purchases	68 400
31 Jan 17	Clubhouse income	103 824		General expenses	61 415
	Equipment sold	1 300		Light and heat expenses	3 840
	Subscriptions	124 550		Purchase of mowing equipment	9 300
				Wages – clubhouse staff	21 195
				Wages – groundsman	24 240
				Balance c/d	46 144
		<u>234 534</u>			<u>234 534</u>
1 Feb 17	Balance b/d	46 144			

- Equipment is to be depreciated at a rate of 20% on a reducing (diminishing) balance basis.
- The equipment sold during the year cost \$4 500 and had a carrying value of \$2 120



(4)

(6)

[illegible]

(c) Prepare the income and expenditure account for the year ended 31 January 2017.

(8)

Restormel Golf Club
Income and expenditure account for the year ended 31 January 2017

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(d) Explain how subscriptions in advance and subscriptions in arrears are shown in the statement of financial position.

(2)

(Total for Question 4 = 20 marks)



P 5 4 2 5 0 A 0 1 7 2 0

- 5 Japan Ltd has provided the following extracts from the accounts for the years ended 31 January 2015 and 2016.

	2015 \$	2016 \$
Revenue	191 000	244 000
Gross profit	128 400	154 040
Profit for the year	63 260	66 750
Total equity	124 000	141 000
Current liabilities	29 350	41 600
Non-current liabilities	-	50 000

- (a) Complete the table to show the profitability ratios for 2015 and 2016. Give your answers to two decimal places.

(6)

	2015	2016
Gross profit as a percentage of revenue (margin)		
Net profit as a percentage of revenue		
Return on capital employed		



(b) Analyse the profitability of Japan Ltd over the two-year period.

(6)

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(c) State **three** ratios that could be used to assess liquidity.

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(Total for Question 5 = 15 marks)

TOTAL FOR PAPER = 100 MARKS



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