

# Pearson LCCI

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

Wednesday 18 January 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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**Answer ALL questions. Write your answers in the spaces provided.**

- 1 (a) State the type of error in **each** of the following situations.

(4)

Situation	Type of error
A sales invoice has not been entered in any of the accounting records.	
A motor vehicle purchased for business use has been entered in the accounts as a motor expense.	
Payment to J Smith has been entered in the account of T Smith.	
The rent paid account and sales account have both been overstated by \$100	

On 31 December 2016, Logan James purchased a new motor vehicle costing \$9 000

- He received a trade in allowance (part exchange) for his old vehicle of \$2 500. This vehicle had originally cost \$6 000 on 1 January 2012.
- Logan James paid the remaining balance for the new vehicle by cheque.
- Motor vehicles are depreciated at the rate of 25% per annum using the reducing (diminishing) balance method.
- A full year's depreciation is charged in the year of acquisition but none in the year of disposal.

- (b) Prepare the accounts to record the acquisition and disposal of the motor vehicle. Balance off the appropriate accounts at the year ended 31 December 2016.

(12)

**Motor Vehicle Account**

Date	Details	\$	Date	Details	\$
1 Jan 16	Balance b/d	6 000			



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Accumulated Depreciation Account

Date	Details	\$	Date	Details	\$
			1 Jan 16	Balance b/d	4 102

Bank Account

Date	Details	\$	Date	Details	\$
1 Jan 16	Balance b/d	8 920			

Disposal Account

Date	Details	\$	Date	Details	\$

(c) State in which section of the income statement the profit or loss on disposal identified in (b) would be shown.

(1)

(Total for Question 1 = 17 marks)



- 2 Mazy is in business trading as a sole trader. The following information was available at 1 August 2015.

	\$
Bank	2 500 Cr
Bank loan	20 000
Fixtures and fittings at cost	27 500
Fixtures and fittings accumulated depreciation	5 000
Inventory	6 000
Motor vehicle at cost	40 000
Motor vehicle accumulated depreciation	10 000
Trade payables	10 000
Trade receivables	4 000

- (a) Calculate the equity at 1 August 2015.

(3)

At 31 July 2016:

- 50% of the bank loan remains outstanding and is to be repaid in equal installments over 5 years
- Advertising expenses of \$669 were owing
- Telephone expenses of \$550 were paid in advance
- Total drawings for the year were \$9 000
- Revenue for the year was \$60 000
- Profit for the year was 25% of revenue
- The bank account was overdrawn by \$1 250
- Cash in hand was \$150
- Inventory was valued at \$5 700
- Trade payables were \$19 000
- Trade receivables were \$22 700. An allowance for doubtful debts is to be introduced equal to 3% of closing trade receivables.



- Fixtures and fittings have a residual value of \$2 500 and are depreciated at 20% per annum using the straight line method.
- Motor vehicles are depreciated at 30% per annum using the reducing (diminishing) balance method.

(b) Prepare Mazy's statement of financial position at 31 July 2016.

(20)

**Mazy**  
**Statement of financial position at 31 July 2016**



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(Total for Question 2 = 23 marks)



**3** On 1 January 2014, Ruby and Lucy decided that, after working as sole traders for many years, they wished to form a partnership. They did not draw up a partnership agreement.

- (a) Explain **one** advantage and **one** disadvantage for Ruby and Lucy of forming a partnership.

(6)

Advantage

Explanation

Disadvantage

Explanation



On the 1 January 2014, Ruby and Lucy invested \$10 000 each by cheque to start their partnership.

(b) Prepare, for the partnership, the capital accounts and bank account.

(4)

**Capital Account – Ruby**


**Capital Account – Lucy**


**Bank Account**






On 1 January 2016, Ruby and Lucy drew up a partnership agreement and agreed to:

- share profits and losses in the ratio 3:2
- allow interest on capital at 5% per annum
- charge interest on drawings at 3% per annum on the balance at the end of the year
- pay Lucy a salary of \$6 000 per annum.

Current account balances at 1 January 2016

Ruby	Lucy
\$1 800	\$900

Drawings for the year ended 31 December 2016

Ruby	Lucy
\$350 per month	\$6 800

Profit for the year ended 31 December 2016 was \$56 000

(c) Prepare the appropriation account for the year ended 31 December 2016.

(6)

**Ruby and Lucy**  
**Appropriation account for the year ended 31 December 2016**



- (d) Prepare Lucy's current account. Balance the account on 31 December 2016 and bring the balance down to 1 January 2017.

(4)

### Current Account – Lucy


On 1 January 2017, Ruby and Lucy agreed to change the profit share ratio to 7:3. At this date goodwill was valued at \$4 000 and is not to be maintained in the accounting books.

- (e) Prepare the goodwill account.

(4)

### Goodwill Account


- (f) State how goodwill would be shown in the financial statements if it **was** to be maintained in the accounting books.

(2)

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(Total for Question 3 = 26 marks)



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4 Alprin Ltd provided the following information for the year ended 30 June 2016.

	\$
Closing inventory	950
Cost of goods sold	7 250
Current assets	6 240
Equity	14 600
Gross profit	12 750
Non-current assets	10 400
Profit for the year	2 600
Revenue	20 000
Total assets	16 640
Trade payables	2 040
Trade receivables	4 800

(a) Complete the following table for Alprin Ltd. The first row has been completed as an example.

(10)

	Formula	Answer
Net profit as a percentage of revenue	$\frac{\text{Profit for the year}}{\text{revenue}} \times 100$	13%
Gross profit as a percentage of revenue		
Account receivables collection period		



	Formula	Answer
Account payables payment period		
Return on capital employed		
Liquid (acid test) ratio		

The agreed terms of trade for trade receivables is 60 days and for trade payables is 90 days.

- (b) Analyse how these terms may have impacted Alprin Ltd during the year ended 30 June 2016.

(4)

Account receivables collection period

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Account payables payment period

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**(Total for Question 4 = 14 marks)**



5 (a) Explain the accounting treatment of:

(i) subscriptions in advance

(2)

(ii) subscriptions in arrears.

(2)

Bella Sports Club offers a life subscription fee for members of \$1 000. This is accounted for over 10 years. On 1 March 2015, the life subscription account balance was \$6 000. On this date an additional three life subscriptions were purchased.

(b) Prepare the life subscription account for the year ended 29 February 2016, showing any transfers. Balance the account on this date and bring the balance down on 1 March 2016.

(5)

### Life Subscriptions Account




Bella Sports Club operates a refreshments bar for members.

On 29 February 2016, it provided the following information for the year.

	\$
Opening inventory at 1 March 2015	250
Closing inventory at 29 February 2016	180
Trade payables at 1 March 2015	175
Trade payables at 29 February 2016	55
Interest charged by trade payable	25
Returns to trade payables	90
Bank payments made to trade payables	225
Revenue from refreshments	225

(c) Prepare an account to calculate the credit purchases for the year ended 29 February 2016.

(7)




(d) Prepare the trading account for the year ended 29 February 2016.

(4)

**Bella Sports Club**  
**Trading account for the year ended 29 February 2016**

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(Total for Question 5 = 20 marks)

**TOTAL FOR PAPER = 100 MARKS**

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