

Pearson LCCI

Certificate in Bookkeeping and Accounting (VRQ) Level 2

Wednesday 17 January 2018
Time: 3 hours

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 must have:
Resource booklet (enclosed)

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.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You will need to use the data on **page 3** of the Resource Booklet to answer parts (a) and (b).

- 1 (a) Prepare the manufacturing account for the year ended 30 November 2017.

(12)

Aung
Manufacturing account for the year ended 30 November 2017

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2 (a) Identify the double entry to record the total returns to credit suppliers.

(1)

	Account to be debited	Account to be credited
<input type="checkbox"/> A	Returns inwards	Trade receivables ledger control
<input type="checkbox"/> B	Returns outwards	Trade payables ledger control
<input type="checkbox"/> C	Trade payables ledger control	Returns outwards
<input type="checkbox"/> D	Trade receivables ledger control	Returns inwards

(b) Identify where credit notes issued to customers will be recorded.

(1)

- A** Purchases day book
- B** Returns inwards day book
- C** Returns outwards day book
- D** Sales day book

On 31 December 2017 Angela prepared a trial balance that did not balance. The difference was posted to a suspense account.

She identified the following errors:

- returns inwards, \$65, had been debited to the returns outwards account
- the purchases account had been overcast by \$560
- a payment of \$225 for insurance had been entered in the cash book correctly and credited to motor expenses.

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(c) Prepare journal entries to correct the **three** errors.
Narratives **are** required.

(10)

Journal

Date	Account	Debit \$	Credit \$
31 December 2017			

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(d) Prepare the suspense account.

(5)

Suspense Account

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(e) State the accounting concept being applied in each situation.

(3)

Situation	Accounting concept
Accounts are prepared on the basis that the business will continue for the foreseeable future.	
A business always uses the straight line method of depreciation for all non-current assets.	
Revenue is recognised on raising a sales invoice.	

(Total for Question 2 = 20 marks)

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You will need to use the data on **pages 4 and 5** of the Resource Booklet to answer parts (a), (b), (c) and (d).

3 (a) Prepare the goodwill account.

(6)

Goodwill Account

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(b) Explain why the partners created goodwill on the admission of Sally.

(2)

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(c) Prepare Peter’s capital account at 1 December 2016. Balance the account on that date and bring the balance down on 2 December 2016.

(5)

Capital Account - Peter

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(d) Prepare the corrected appropriation account for the year ended 30 November 2017.

(5)

Peter, Rita and Sally
Appropriation account for the year ended 30 November 2017

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(Total for Question 3 = 18 marks)

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You will need to use the data on **page 6** of the Resource Booklet to answer parts (a), (b), (c) and (d).

4 (a) Calculate the profit or loss on disposal of the motor vehicle. (1)

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(b) Calculate the **total** depreciation charge for motor vehicles for the year ended 31 December 2017. (3)

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(c) Prepare Nico’s cash account for the year ended 31 December 2017 to show the sales for the year. Balance the account at that date and bring the balance down on 1 January 2018. (8)

Cash Account

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Nico makes a gross profit as a percentage of revenue (margin) of 37.5% on all goods sold.

(d) Calculate, for the year ended 31 December 2017:

(2)

(i) gross profit

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(ii) profit for the year.

(6)

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(e) Identify the effect of a payment for motor insurance being treated as capital expenditure.

(1)

- A** Gross profit overstated
- B** Gross profit understated
- C** Profit for the year overstated
- D** Profit for the year understated



(f) Identify the double entry to record the purchase of a delivery vehicle on credit from Tai.

(1)

	Account to be debited	Account to be credited
<input type="checkbox"/> A	Motor vehicles	Tai
<input type="checkbox"/> B	Tai	Motor vehicles
<input type="checkbox"/> C	Purchases	Tai
<input type="checkbox"/> D	Tai	Purchases

(Total for Question 4 = 22 marks)

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5 Tentib Ltd maintains an allowance for doubtful debts of 5% of trade receivables. The following information was provided for the year ended 31 October 2017.

	1 November 2016	31 October 2017
Trade receivables	\$46 900	\$38 200

(a) Calculate the amount of the allowance for doubtful debts for the year ended 31 October 2017 to be shown in the:

(i) statement of profit or loss

(4)

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(ii) statement of financial position.

(1)

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(b) Explain the effect of the change in the allowance for doubtful debts on the profit for the year ended 31 October 2017.

(2)

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(c) Identify the section of the statement of financial position where the allowance for doubtful debts would be shown. (1)

- A Current assets
- B Current liabilities
- C Non-current assets
- D Non-current liabilities

(d) Identify the double entry to record the writing off of an irrecoverable debt. (1)

	Account to be debited	Account to be credited
<input type="checkbox"/> A	Allowance for doubtful debts	Irrecoverable debts
<input type="checkbox"/> B	Irrecoverable debts	Allowance for doubtful debts
<input type="checkbox"/> C	Irrecoverable debts	Trade receivables ledger control
<input type="checkbox"/> D	Trade receivables ledger control	Irrecoverable debts

(e) Explain how the statement of financial position would be affected by the writing off of an irrecoverable debt. (2)

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(f) (i) Complete the table to show the formula used for each ratio.

(3)

Ratio	Formula	2016	2017
Accounts payables payment period		35 days	48 days
Current (working capital)		2.6:1	2.6:1
Liquid (acid test)		1.8:1	0.9:1

(ii) Assess the changes in the ratios in (f)(i).

(4)

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(Total for Question 5 = 18 marks)

TOTAL FOR PAPER = 100 MARKS

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