# Pearson LCCI Thursday 6 September 2018 Time: 3 hours Paper Reference ASE20093 Certificate in Bookkeeping and Accounting (VRQ) Level 2 Please check the examination details above before entering your candidate information Candidate name Centre Code Candidate Number Candidate ID Number You must have: Resource Booklet (enclosed)

### 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  $\boxtimes$ . If you change your mind about an answer, put a line through the box  $\boxtimes$  and then mark your new answer with a cross  $\boxtimes$ .

You will need to use the data on **page 2** of the Resource Booklet to answer parts (a) and (b).

<b>1</b> (a) Prepare the manufacturing account for the year ended 31 December 2017.	(11)
Joe Manufacturing account for the year ended 31 December 2017	

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(b) Prepare the statement of profit or loss for the year ended 31 December 2017.	(7)
Joe Statement of profit or loss for the year ended 31 December 2017	



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During the year, Joe purchased finished goods in order to meet excess demand for his product. These purchases have not yet been recorded.

(c) Identify the effect on the financial statements.

(1)

- A Production cost overstated
- B Production cost understated
- ☑ C Profit for the year overstated
- **D** Profit for the year understated

(Total for Question 1 = 19 marks)



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You will need to use the data on page 3 of the Resource Booklet to answer part (d).

- **2** On 31 July 2018 Hatton prepared a trial balance that did not balance. The difference was posted to a suspense account.
  - (a) Complete the table to show the entries necessary to correct each error. The first correction has been shown as an example.

(10)

Error	Debit \$	Credit \$
A payment of \$350 to Jones had been recorded in the account of James.	Jones 350	James 350
A receipt of \$175 had been recorded twice in the commission received account.		
A cheque payment for \$45 for advertising had been recorded in the cash book correctly but recorded as \$54 in the advertising account.		
A receipt of \$3 600 for rent had been recorded correctly in the cash book. No other entries had been made.		
Wages included \$750 taken by Hatton for his own use.		
A sales invoice of \$85 to Haynes had been recorded as \$58		

(b) Prepare the suspense account.

•		

**Suspense Account** 

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`			ne accounting concept that Hatton hang wages from the business.	ias <b>not</b> complica with sy	(1)
	×	Α	Accruals		
	×	В	Business entity		
	×	C	Consistency		
	×	D	Materiality		
			the amount of the allowance for do 18 to be shown in the statement of	· · · · · · · · · · · · · · · · · · ·	(3)
(e) I			ne double entry to record the writing		(1)
(e) I	Del	bit		Credit	(1)
(e) I	Del	bit	ne double entry to record the writing		(1)
	<b>Del</b>	<b>bit</b> owar		Credit	(1)
A	<b>Del</b> Allo	<b>bit</b> owar	nce for doubtful debts	Credit  Irrecoverable debts	
A B	Del Allo	bit owar cove	nce for doubtful debts erable debts	Credit  Irrecoverable debts  Allowance for doubtful debts	
A B C D	Del Allo	bit  cove  cove  de re  boo  A  B	erable debts erable debts erable debts eceivables ledger control account here the revenue account will appe ks of account.  General journal General ledger	Credit  Irrecoverable debts  Allowance for doubtful debts  Trade receivables ledger control allowers ledger ledger control allowers ledger control allowers ledger ledge	
A B C D	Del Allo Irre Irre Tracildentiset of	bit cove cove de re ify w	erable debts erable debts erable debts eceivables ledger control account here the revenue account will appe ks of account. General journal	Credit  Irrecoverable debts  Allowance for doubtful debts  Trade receivables ledger control allowers ledger ledger control allowers ledger control allowers ledger ledge	account

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You will need to use the data on <b>page 4</b> of the Resource Booklet to answer parts (a) and (b).	
<b>3</b> (a) Prepare the appropriation account for the year ended 31 March 2018.	(7)
Ray and Leonard Appropriation account for the year ended 31 March 2018	



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(i)	Current Account – Leonard	
\- <sub>7</sub>		(7)
(a)		
(ii)	Capital Account – Leonard	(6)
		(0)
	(Total for Questio	n 3 = 20 marks)

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(a) Prepare the subscriptions account for the year ended 31 July 2018. Balance the account on this date and bring the balances down on 1 August 2018.	(7)
Subscriptions Account	
(b) (i) Prepare the disposal account.	
	(5)
Disposal Account	
(ii) State whether the minibus was sold for a profit or a loss.	
	(1)



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(c)	State, indicating with a tick (✓), whether each item is capital expenditure or
	revenue expenditure for the new minibus.

(6)

	Capital expenditure	Revenue expenditure
Driver's wages		
Fuel		
Installation of air conditioning		
Insurance		
Purchase of minibus		
Sign writing		

(d)	) Explain to the members of Celran Football Club the effect on the cl	ub's financial
	statements of the incorrect treatment of capital expenditure.	

(2)

(Total for Question 4 = 21 marks)



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(a) Calculate the retained earnings at 30 June 2018.	
(a) Calculate the retained earnings at 50 Julie 2016.	(3)

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(b) Complete the statement of financial position at 30 June 2018.

(5)

# Batigol Ltd Statement of financial position at 30 June 2018

	\$	\$
Non-current assets		
Property plant and equipment		
Current assets		
Inventory	84 000	
Trade receivables	22 000	
Other receivables	4 500	
Cash and cash equivalents	1 500	
		112 000
Total assets		390 000
Equity and liabilities		
Equity		
Ordinary share capital		
Share premium		
Retained earnings		
Non-current liabilities		
10% debentures (2030)		4 000
Current liabilities		
Trade payables		35 000
Total liabilities		
Total equity and liabilities		390 000

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(e) Calculate the ratios at 30 June 2018.

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(c)	State	e wl	hat is meant by 10% in the term '10% debentures (2030)'.	(1)
	×	A	Interest of 10% is payable every year	
	X	В	Interest of 10% is payable only in 2030	
	X	C	Interest of 10% is receivable every year	
	×	D	Interest of 10% is receivable only in 2030	
	•		why shareholders would be concerned if Batigol Ltd increased the of loan capital.	(2)

Ratio	30 June 2018	30 June 2017
Current (working capital)		2.1:1
Liquid (acid test)		1.1:1

(2)

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f) Assess the change in these <b>two</b> ratios.	(4)
g) Explain why the liquid (acid test) ratio is a be	tter measure of liquidity than the
current (working capital) ratio.	(2)
	(Total for Question 5 = 19 marks)
	TOTAL FOR PAPER = 100 MARKS



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