

Pearson LCCI

Tuesday 6 April 2021

Time: 3 hours

Paper Reference **ASE20093**

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

Please check the examination details above before entering your learner information

Learner name

Centre/Learning Provider ID

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Learner National/Passport ID (if required)

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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, Pearson learner ID, centre/learning provider ID and your learner national/passport ID (if required).
- 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 2** of the Resource Booklet to answer parts (c), (d) and (e).

1 (a) State the book of original entry used to record the:

(i) sale of a non-current asset for cash

(1)

(ii) sale of a non-current asset on credit.

(1)

(b) Identify the type of error made when the invoice amount is incorrectly recorded in the sales day book.

(1)

- A** Commission
- B** Compensating
- C** Original entry
- D** Reversal

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(c) Prepare journal entries to correct the **four** errors. Narratives are **not** required.

(10)

Journal

Date	Account	Debit \$	Credit \$
31 December 2020			

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(d) Prepare the suspense account.

(4)

Suspense Account

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(e) Calculate the net revenue to be shown in the statement of profit or loss for the year ended 31 December 2020.

(3)

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(Total for Question 1 = 20 marks)

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(c) (i) Calculate the profit or loss on disposal of the factory machinery.

(1)

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(ii) Prepare the following accounts for the year ended 31 March 2021. Balance the accounts on this date and bring the balances down on 1 April 2021.

(9)

Factory Machinery – Cost Account

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Accumulated Depreciation – Factory Machinery Account

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(Total for Question 2 = 22 marks)

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

3 (a) State **two** differences between non-current assets and current assets. (2)

1

2

(b) Identify the accounting concept being applied when a business treats expenditure on non-current assets under \$500 as revenue expenditure. (1)

- A** Accruals
- B** Business entity
- C** Materiality
- D** Prudence

(c) Prepare the current account of Ben for the year ended 31 March 2021. Balance the account on this date and bring the balance down on 1 April 2021. (6)

Current Account – Ben

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(d) Calculate the current account balance of **Jack** at 31 March 2021.

(2)

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

- 4 (a) Prepare the rental income account for the year ended 31 January 2021. Balance the account on this date and bring the balance down on 1 February 2021.

(5)

Rental Income Account

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(c) Identify where rental income received in advance is shown in the statement of financial position.

(1)

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

(d) Explain, referring to an accounting concept, why Oshan must make an adjustment for rental income received in advance.

(2)

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(Total for Question 4 = 21 marks)

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P 6 5 3 4 7 R A 0 1 5 2 0

5 (a) Identify the formula to calculate the accounts receivable collection period in months.

(1)

- A Credit sales ÷ Trade receivables × 12
- B Total purchases ÷ Trade payables × 12
- C Trade receivables ÷ Credit sales × 12
- D Trade payables ÷ Total purchases × 12

(b) Identify the formula to calculate the **rate** of inventory turnover.

(1)

- A Average inventory ÷ Cost of sales
- B Average inventory ÷ Revenue
- C Cost of sales ÷ Average inventory
- D Revenue ÷ Average inventory

Xingstar provided the following information at 31 March 2021.

Revenue	Cost of sales	Profit for the year
\$460 000	\$276 000	\$101 200

(c) Complete the table for the year ended 31 March 2021.

(6)

Ratio	Formula	Answer (correct to 2 decimal places)
Gross profit as a percentage of cost of sales (mark-up)		
Gross profit as a percentage of revenue (margin)		
Profit for the year as a percentage of revenue		

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(d) Explain **one** limitation of using ratios to compare the performance of a business.

(2)

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On 1 April 2020 Xingstar had an allowance for doubtful debts of \$1 480 which was 3% of trade receivables.

On 31 March 2021 he decided to decrease his allowance for doubtful debts to 2% of trade receivables which were \$46 400

(e) (i) Calculate the amount of the change in the allowance for doubtful debts for the year ended 31 March 2021.

(2)

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(ii) Explain **one** reason for a decrease in an allowance for doubtful debts.

(2)

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(iii) Assess the effect on profitability **and** liquidity of the decrease.

(4)

Profitability

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Liquidity

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(Total for Question 5 = 18 marks)

TOTAL FOR PAPER = 100 MARKS

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